



Industry Report on Automotive Component Industry in India

August 2026

Prepared for Kheria Autocomp Limited

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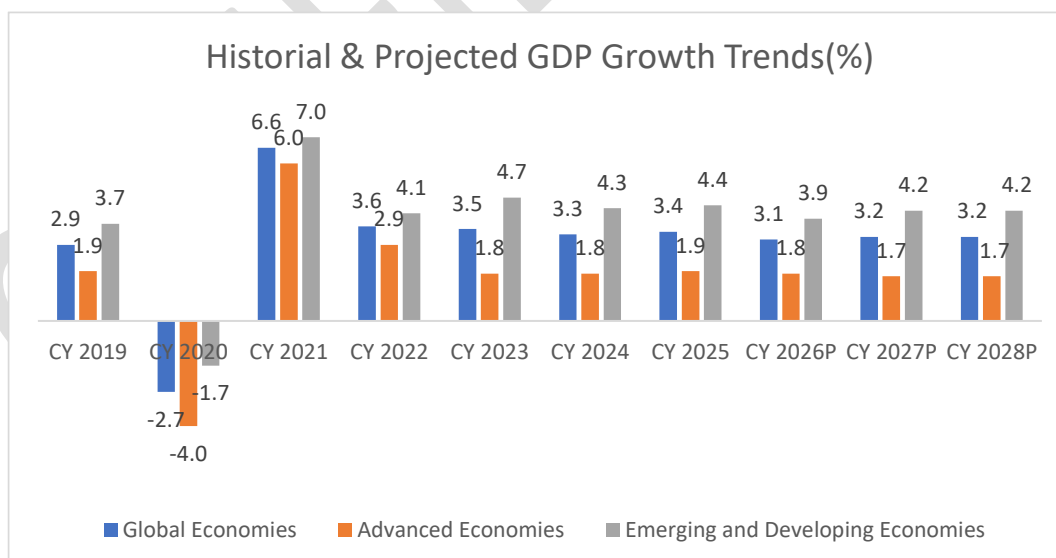
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Global Macroeconomic Scenario

Global Economic Overview

According to World Economic Outlook, global growth is projected at 3.1% in 2026 and at 3.2% in 2027 and 2028, slower than the recent pace of about 3.4% in CY 2024–25 and is expected to settle at approximately that rate over the medium term, below the historical average of 3.7% during 2000–19. The forecast for 2026 has been revised downward by 0.2 percentage point, while the forecast for 2027 and 2028 remains unchanged compared with the January 2026 WEO Update. Global headline inflation is expected to rise to 4.4% in 2026 and decline to 3.7% in 2027, reflecting upward revisions for both years.

The conflict involving US, Israel and Iran is increasingly functioning as a global supply and confidence shock. The International Energy Agency (IEA) describes the current situation as the largest oil supply disruption on record, with flows through the Strait of Hormuz reduced to a trickle and the resulting effects spreading across refined fuels and liquefied natural gas (LNG). At the same time, aviation disruptions and elevated risk premia are weakening services activity and increasing uncertainty around investment decisions. A significant share of global energy flows through the Strait of Hormuz, and shipping disruptions and insurance constraints are therefore translating directly into higher landed costs, supply chain delays, and greater output risks for energy-intensive manufacturing. As a result, the policy environment has increasingly become challenging, while growth support is required but renewed cost-push inflation across energy, freight, and eventually food inputs is limiting the scope for faster monetary easing.



Source – IMF Global GDP Forecast Release, April 2026

Note: Advanced Economies and Emerging & Developing Economies are as per the classification of the World Economic Outlook (WEO). This classification is not based on strict economic criteria and has evolved over time. It comprises 40 countries in the Advanced Economies category, including the G7 (the United States, Japan, Germany, France, Italy, the United Kingdom, and Canada) and selected Eurozone members

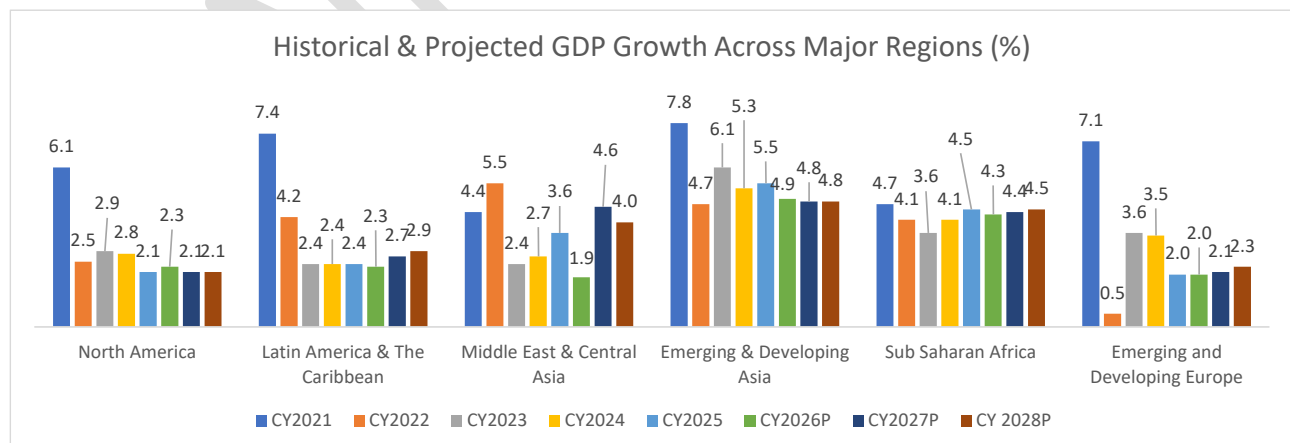
(Germany, Italy, France, etc.). The group of emerging and developing economies (156) comprises all economies not classified as Advanced Economies (e.g., India, China, Brazil, Malaysia).

Historical and Projected GDP Growth

GDP growth across major regions showed a mixed trend during 2024–25. While growth in several regions—including Middle East & Central Asia, Emerging and Developing Asia, Sub-Saharan Africa as well as Latin America and the Caribbean—is expected to slow further in 2026, performance remains uneven across geographies.

In the Middle East and Central Asia, economic growth is projected to decline from **3.6% in 2025** to **1.9% in 2026**, before recovering to **4.6% in 2027** and **4.0% in 2028**, reflecting the region's direct exposure to the conflict and the anticipated rebound thereafter. For commodity-exporting economies directly affected by the conflict, reduced production and export activity are expected to result in a significant downward revision to 2026 GDP growth projections.

Growth in emerging and developing Asia is projected to moderate from **5.5% in 2025** to **4.9% in 2026** and is further estimated to grow at **4.8% in 2027 and 2028**. Within the region, China's 2026 growth forecast has been revised upward by **0.2 percentage point** relative to the October estimate, to **4.4%**, despite a **0.1 percentage point downward revision** from January. This upward adjustment reflects the impact of lower effective U.S. tariff rates on Chinese goods, along with stimulus measures that are expected to offset the negative effects of the shock arising from the Middle East conflict. However, China's growth is projected to slow to **4.0% in 2027**, as structural headwinds continue to weigh on the economy, including the prolonged slowdown in the housing sector, a shrinking labor force, declining returns on investment, and weaker productivity growth.



Source- IMF World Economic Outlook, April 2026

In Latin America and the Caribbean, economic growth is projected to remain broadly stable at 2.3% in 2026 before strengthening to 2.7% in 2027 and 2.9% in 2028. The effects of the Middle East conflict across the region are expected to be uneven, with smaller economies likely to

experience a more pronounced negative impact due to their relatively greater vulnerability to external shocks.

Growth in sub-Saharan Africa is projected to remain relatively stable at 4.3% in 2026 and 4.4% in 2027 and 4.5% in 2028. However, this regional outlook masks significant variation across countries, with some economies expected to face more pronounced challenges than others. In particular, oil-importing and non-resource-intensive economies are likely to be adversely affected by the conflict in the Middle East, as heightened external pressures may weigh on economic activity and weaken growth prospects. In emerging and developing Europe, economic growth is expected to slow sharply to 2.0% in 2025 and recover only marginally thereafter, with the region projected to expand at an average rate of 2.0% in 2026, 2.1% in 2027 and 2.3% in 2028.

Global Economic Outlook

The conflict between Israel/the United States and Iran, which began in February, has developed into a global shock to transport, trade, and security planning. As a result, periodic airspace closures across Israel and parts of the Gulf, together with severe disruption to shipping through the Strait of Hormuz, have affected the movement of oil, oil products, and LNG. Consequently, businesses have faced longer and less reliable supply lines, higher freight and insurance costs, and more frequent “stop-go” operating conditions.

The near-term growth outlook has softened as the conflict is affecting both demand and costs. Disruption to the oil channel is coinciding with pressure on the non-oil outlook as travel and services weaken and risk premia rise. Airspace disruption has increased operating costs and reduced travel reliability, while higher jet fuel costs have added to pressure on carriers and freight forwarders.

Investment conditions have also tightened as higher regional risk premia have increased insurance, shipping, hedging, and working capital costs. At the same time, logistics disruption and higher input costs are raising inflation risks. Fertilizer and related input disruption is also creating a lagged risk to food prices.

Asia-Pacific: In Asia-Pacific, the conflict has created sustained stress for business continuity. Even with fighting paused, energy availability, shipping disruption, and insurance costs are expected to continue weighing on operations over the next quarter. Oil prices remain well above January levels despite easing from March peaks, while war-risk insurance, tighter tanker availability, and rerouting costs remain elevated. As a result, several fuel-importing economies—including Japan, South Korea, India, and parts of Southeast Asia—have faced power-conservation measures and fuel rationing, increasing the risk of operational downtime in energy-intensive sectors.

Shipping and supply chains are also facing second-round effects. Many Asia–Europe shipments have been diverted via the Cape of Good Hope, thereby extending lead times by 10–14 days. Although some routes have reopened, schedules remain compressed and insurers remain cautious, which has increased delivery deadline risk across manufacturing, particularly in chemicals, electronics, and pharmaceuticals. Input volatility and fertilizer disruption are also adding to inflation risks and thereby complicating the policy outlook.

Latin America: In Latin America, the U.S.-Israel-Iran conflict has increased energy market pressures, with higher Brent crude prices raising input costs and inflation risks across the region. Consequently, net hydrocarbon exporters such as Brazil, Colombia, and Ecuador are benefiting from stronger external balances, while net energy importers—including Panama, Chile, and much of Central America—are facing higher import costs. Elevated fertilizer prices are also weighing on agricultural output and margins, including in Brazil and Argentina. In response, governments have introduced fuel subsidies and price controls.

Middle East & North Africa: In the Middle East and North Africa, the conflict continues to affect the region directly, with many countries facing missile and drone attacks from Iran in response to attacks by the United States and Israel on Iran. In the short term, economic growth is expected to slow sharply as exports decline, uncertainty constrains spending, and governments delay investment initiatives. The reduction in food imports is also expected to significantly affect countries with limited domestic production capacity. Bahrain, Qatar, and Kuwait remain highly dependent on imports through the Strait of Hormuz and therefore face risks of food shortages and concerns regarding social stability if disruption persists.

Sub-Saharan Africa: In Sub-Saharan Africa, the conflict continues to disrupt energy and fertilizer supply chains, thereby keeping the region under significant external pressure. Higher global oil prices are sharply rising fuel and transport costs for import-dependent economies such as Kenya, Uganda, Ethiopia, and Ghana. Policy responses have varied across the region. Ethiopia introduced emergency fuel subsidies in mid-March to contain domestic price increases, while Kenya is experiencing stronger pass-through from higher fuel costs, which is weighing on aviation, logistics, and export activity.

Global Growth Projection

Growth in advanced economies is projected at 1.8% in 2026 and 1.7% in 2027 and 2028, while the overall impact of the Middle East conflict is expected to remain modest, lowering 2026 growth by 0.2 percentage point relative to the pre-conflict forecast. This limited effect reflects positive terms-of-trade gains in the United States and stronger growth momentum, supported by government measures, in Japan, whereas more significant negative effects are expected mainly in net energy-importing economies, including the euro area and the United Kingdom. In the United States, growth is projected at 2.3% in 2026 and 2.1% in 2027 and 2028, with fiscal policy and the lagged effects of monetary easing in 2025 continuing to support activity, even as higher trade barriers since April 2025 weigh on growth. The 0.1 percentage point downward revision from the January 2026 WEO Update reflects a small negative effect from the war, but this is partly offset by a rebound following the end of the 2025 federal government shutdown, along with stronger productivity growth and positive carryover effects. Although the International Emergency Economic Powers Act (IEEPA) ruling may reduce tariff-related fiscal revenues, its impact on the fiscal balance and activity is expected to remain limited and spread over the forecast horizon. Growth in 2027 is expected to remain solid, supported by tax incentives, including those for corporate investment under the One, Big, Beautiful Bill Act (OBBBA), while technology-driven momentum is projected to moderate and productivity growth is expected to gradually converge toward historical norms.

Growth in emerging market and developing economies is projected to slow to 3.9% in 2026 before recovering to 4.2% in 2027 and 2028, while the Middle East conflict is expected to have a greater impact on this group than on advanced economies, reducing 2026 growth by 0.3 percentage point relative to the pre-conflict forecast. In emerging and developing Asia, growth is expected to moderate from 5.5% in 2025 to 4.9% in 2026 and 4.8% in 2027 and 2028. Within the region, China's 2026 growth forecast has been revised upward to 4.4%, as lower effective U.S. tariffs and stimulus measures offset the impact of the conflict, although growth is projected to slow to 4.0% in 2027 as structural headwinds intensify. India's growth outlook has also improved, with growth revised upward to 7.6% in 2025 and projected to remain at 6.5% in 2026, 2027 and 2028, supported by strong carryover effects and lower additional U.S. tariffs on Indian goods. Meanwhile, several South and Southeast Asian economies are expected to face weaker domestic demand due to lower tourism and remittance inflows, while the Philippines has seen a sharp downward revision for 2026.

In the Middle East and Central Asia, growth is projected to decline from 3.6% in 2025 to 1.9% in 2026, before rebounding to 4.6% in 2027 and 4.0% in 2028, reflecting the region's direct exposure to the conflict. The downturn is expected to be most severe among affected commodity exporters, particularly Bahrain, Iran, Iraq, Kuwait, and Qatar, while the impact is expected to be less severe

in other economies. Accordingly, Iran's economy is projected to contract by (-) 6.1% in 2026, before rebounding to 3.2% in 2027 and moderating to 1.5% in 2028. By contrast, Saudi Arabia's growth is projected at 3.1% in 2026, rising to 4.5% in 2027 before easing to 3.6% in 2028. In sub-Saharan Africa, growth is expected to remain broadly stable at 4.3% in 2026, 4.4% in 2027, and 4.5% in 2028, although oil-importing economies are likely to face greater pressure, while Nigeria and South Africa are expected to record moderate but gradually improving growth profiles. In Latin America and the Caribbean, growth is projected at 2.3% in 2026, 2.7% in 2027, and 2.9% in 2028, with Brazil expected to benefit modestly in the near term from its position as a net energy exporter, while Mexico is projected to recover gradually to 1.6% in 2026, 2.2% in 2027, and 2.1% in 2028.

In emerging and developing Europe, the sharp slowdown in growth to 2.0% in 2025 is expected to reverse only marginally, with the region projected to expand at an average rate of 2.0% in 2026, 2.1% in 2027, and 2.3% in 2028. Within the region, Russia's 2026 growth forecast has been revised upward by 0.3 percentage point relative to January, to 1.1%, as higher commodity prices are expected to support activity. This momentum is projected to continue, with growth remaining at 1.1% in 2027 before moderating slightly to 1.0% in 2028. By contrast, Türkiye's 2026 growth forecast has been revised downward by 0.8 percentage point relative to the January 2026 WEO to 3.4%, as weaker-than-expected growth in 2025 and higher oil and gas prices are expected to weigh on activity.

Key factors impacting Global Macroeconomic landscape

- Geopolitics continues to constitute a major source of global macroeconomic and business risk. The Russia–Ukraine war remains a persistent driver of instability, as Russia has intensified large-scale missile and drone attacks on Ukrainian cities and infrastructure, while Ukraine has stepped up strikes on Russian ports, refineries, and export infrastructure, reportedly contributing to a reduction in Russian oil output in April. The Israel–Iran–U.S. confrontation has emerged as the most significant near-term external shock to the global economy, with the IMF warning that disruptions to the Strait of Hormuz and regional energy infrastructure could materially weaken global growth and raise inflation; under its April 2026 reference forecast, global growth has been lowered to 3.1% and inflation raised to 4.4%, with materially worse outcomes under prolonged disruption scenarios. In parallel, the Pakistan–Afghanistan border conflict remains a significant regional flashpoint, although China-mediated talks are seeking to secure a ceasefire and reopen border crossings after months of cross-border attacks and trade disruption. At the same time, U.S. strategic activism continues to influence regional risk perceptions: Washington has removed sanctions on Venezuela's interim leadership and

deepened engagement with Caracas, tensions over Greenland have re-emerged amid renewed U.S. rhetoric and ongoing diplomatic discussions with Denmark and Greenland, and U.S.–Nigeria security cooperation has continued to deepen in response to regional instability and counterterrorism concerns. In addition, resource nationalism and strategic competition over rare earths and other critical minerals have become increasingly operational concerns rather than distant strategic risks. The IEA's April 2026 assessment notes that demand for magnet rare earths has doubled since 2015 and is projected to increase by more than 30% by 2030, while supply chains remain highly concentrated, with China accounting for around 60% of mined output, more than 90% of refining, and nearly 95% of permanent magnet production, thereby heightening global exposure to export controls, supply concentration, and industrial policy interventions

- The period of relatively frictionless trade supported by multilateral liberalisation and free trade agreements is increasingly giving way to regionalisation, nearshoring, friend-shoring, and diversification of production networks. Rising tariffs, policy uncertainty, and strategic realignment are creating a more fragmented trade environment and raising the premium on resilience over pure efficiency
- Technology adoption and sustainability have become core strategic priorities. Organizations are advancing digital transformation by embedding AI, automation, and cybersecurity into their operations to enhance productivity and safeguard critical assets. AI adoption is emerging as a visible driver of optimism, particularly within the information and communications sectors. Growth in cloud computing, streaming, IoT, and AI and Advancements in hardware and cooling technologies aim to reduce energy consumption and improve performance is driving the need for more powerful and scalable data centres.

India Macroeconomic Analysis

India's economic growth outlook for 2025 has been revised upward by 1.0 percentage point from the October estimate to 7.6%, supported by stronger-than-expected performance in the second and third quarters of the fiscal year and sustained momentum in the fourth quarter. For 2026, the growth projection has been moderately increased by 0.3 percentage point (including a 0.1 percentage point upward revision from January) to 6.5%, primarily driven by the carryover effect of the strong 2025 performance and the reduction in additional U.S. tariffs on Indian goods from 50% to 10%, which more than offsets the adverse impact of the Middle East conflict. Growth is expected to remain steady at 6.5% in 2027. Across several South and Southeast Asian economies, disruptions linked to the Middle East conflict are anticipated to reduce tourism activity and remittance inflows, thereby weakening domestic demand and moderating overall economic performance.

Country	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026 P	CY 2027 P	CY 2028P
India ¹	-5.8%	9.7%	7.6%	9.2%	6.5%	7.6%	6.5%	6.5%	6.5%
China	2.3%	8.6%	3.1%	5.4%	5.0%	5.0%	4.4%	4.0%	4.0%
United States	-2.2%	6.1%	2.5%	2.9%	2.8%	2.1%	2.3%	2.1%	2.1%
Japan	-4.2%	2.7%	0.9%	1.4%	-0.2%	1.2%	0.7%	0.6%	0.6%
United Kingdom	-10.3%	8.6%	4.8%	0.4%	1.1%	1.3%	0.8%	1.3%	1.6%
Russia	-2.7%	5.9%	-1.4%	4.1%	4.3%	1.0%	1.1%	1.1%	1.0%
Germany	-4.1%	3.9%	1.8%	-0.9%	-0.5%	0.2%	0.8%	1.2%	1.2%

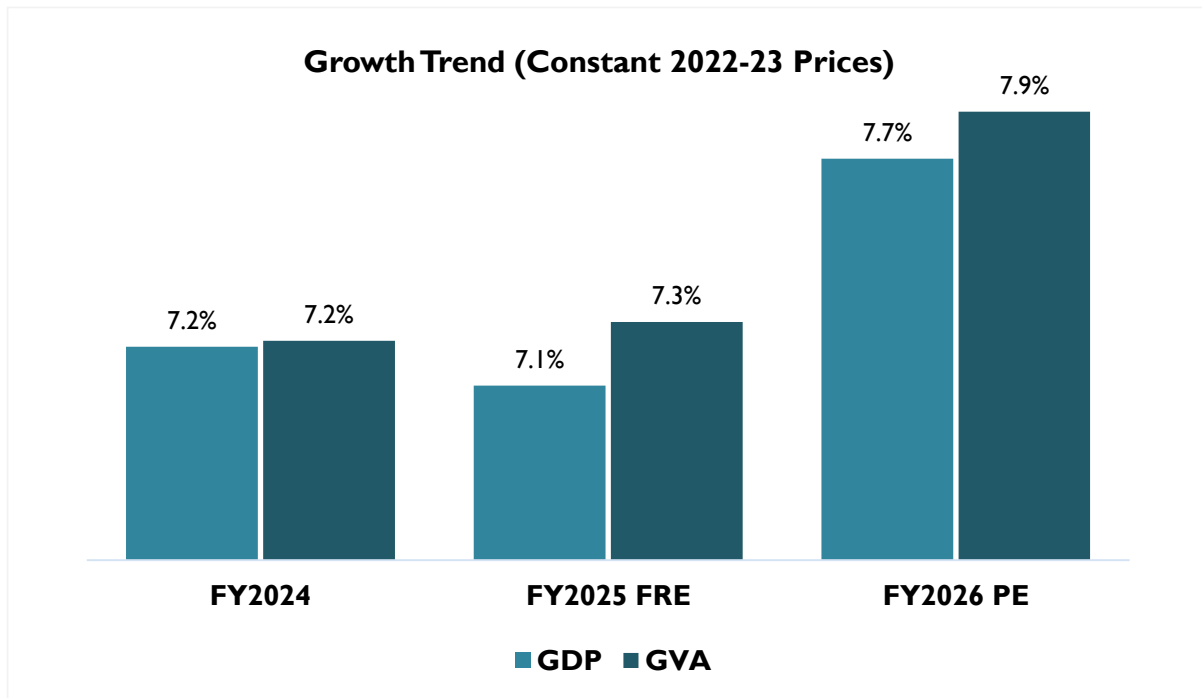
Source: World Economic Outlook, April 2026

Historical GDP and GVA Growth Trend

As per Provisional Estimates, India Real GDP (GDP at constant prices) for FY 2025–26 is estimated to reach INR 323.12 lakh crore, compared to the First Revised Estimate (FRE) of INR 299.89 lakh crore for FY 2024–25. This represents a growth rate of 7.7% in 2025–26, higher than the 7.1% growth recorded in 2024–25.

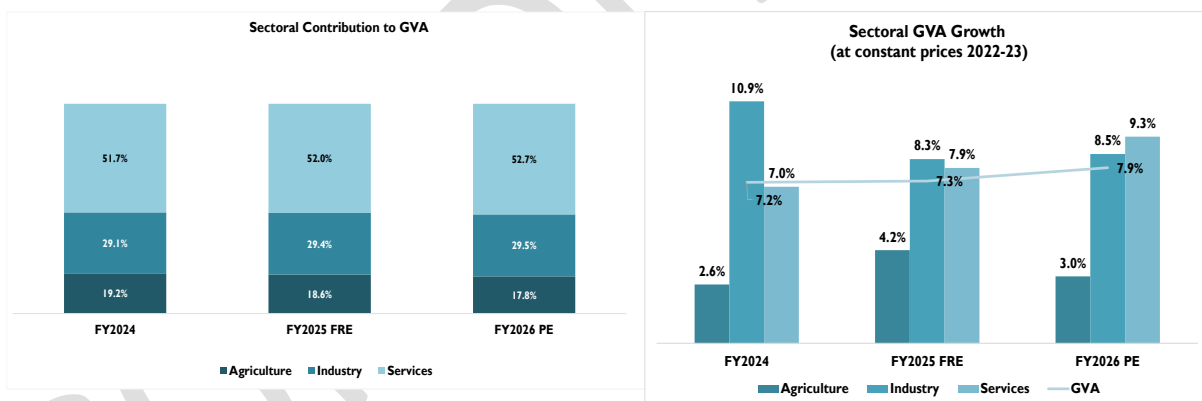
Similarly, Real GVA for FY 2025–26 is estimated to reach INR 294.91 lakh crore, up from INR 273.36 lakh crore in FY 2024–25. This indicates a growth rate of 7.9%, compared with the 7.3% growth achieved in the previous year.

¹ For India, data and forecasts are presented on a fiscal year basis, and GDP from 2022 onward is based on GDP at market prices with fiscal year 2022/23 as a base year



Source: Ministry of Statistics & Programme Implementation (MOSPI), National Account Statistics: FY2025,
FRE is First Revised Estimate; PE is Provisional Estimates

Sectoral Contribution to GVA and Annual Growth Trend



Source: Ministry of Statistics & Programme Implementation (MOSPI), CMIE Economics Outlook
FRE is First Revised Estimate; PE is Provisional Estimates²

Sectoral analysis of GVA reveals that the industrial sector experienced steady growth momentum in FY 2026, recording a 7.9% y-o-y growth against 7.3% year-on-year growth in FY 2025. Within the industrial sector, growth moderated across sub-sectors with mining, and construction activities growing by 5.15%, and 7.36%, respectively in FY 2026, compared to 11.69%, and 7.30% in FY 2025. Growth in the utilities sector too moderated to 1.74% in FY 2026 from 2.87% in the

² https://www.mospi.gov.in/uploads/latestReleases/latest_release_1780655857536_5ac01869-ca4a-422d-b7a7-57b81da60932_Press_Note_on_GDP_Estimates_for_Q4_2025-26_and_PE_FY_2025-26_F.pdf

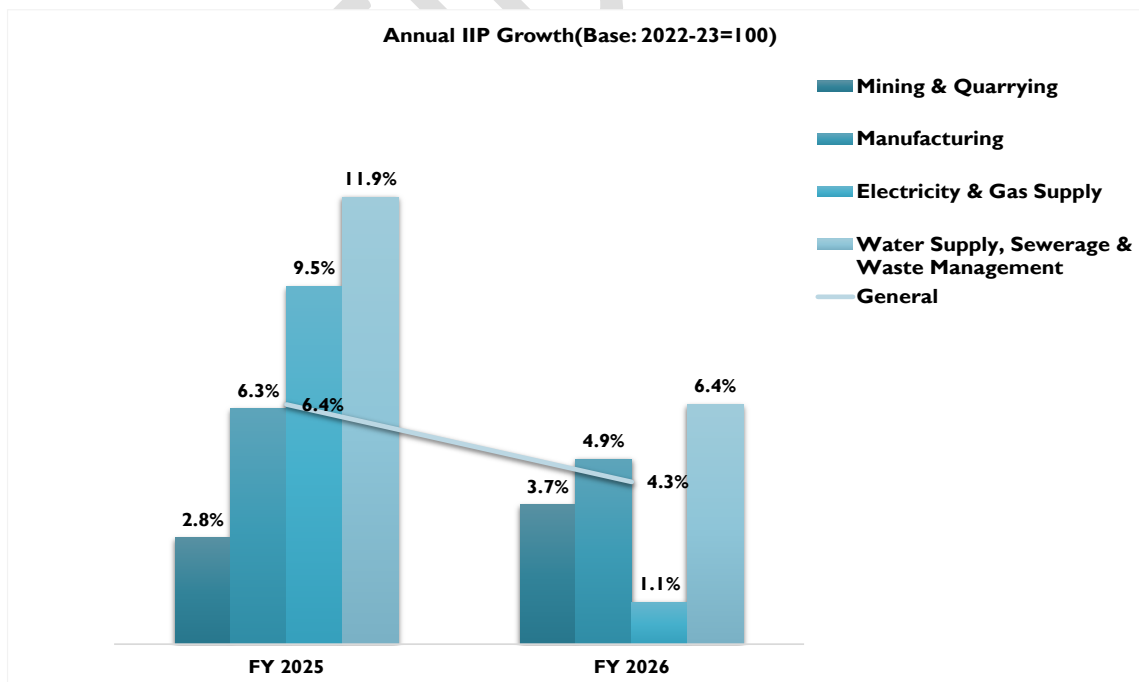
previous year. The industrial sector's contribution to GVA increased marginally from 29.4% in FY 2025 to 29.5% in FY 2026.

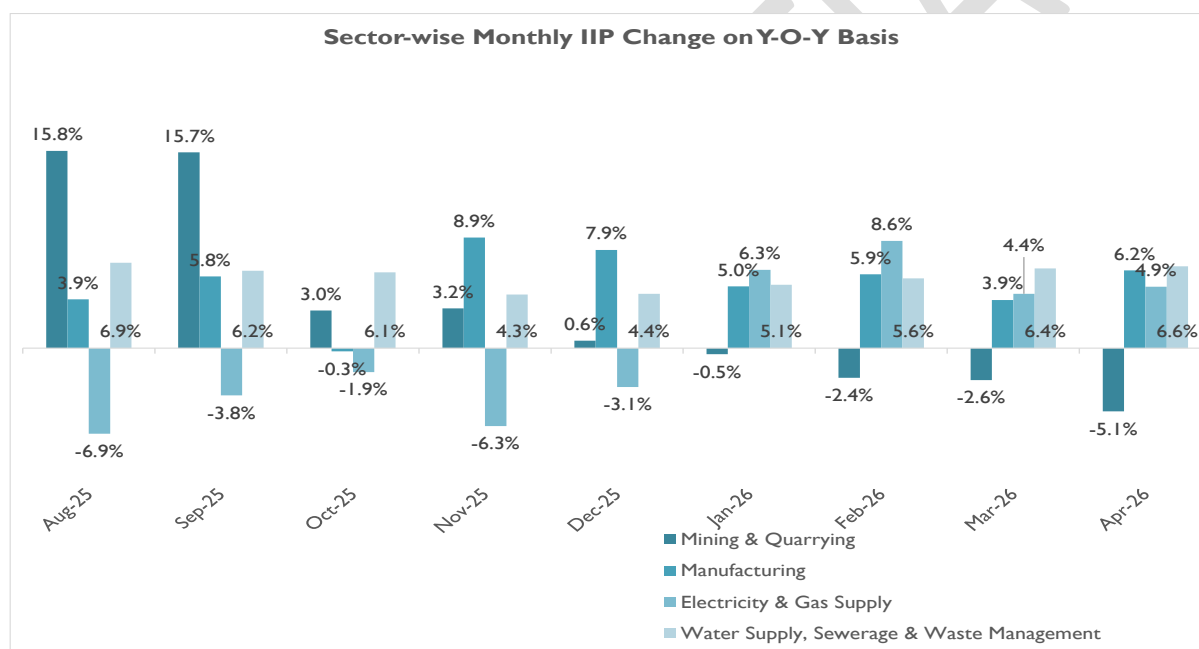
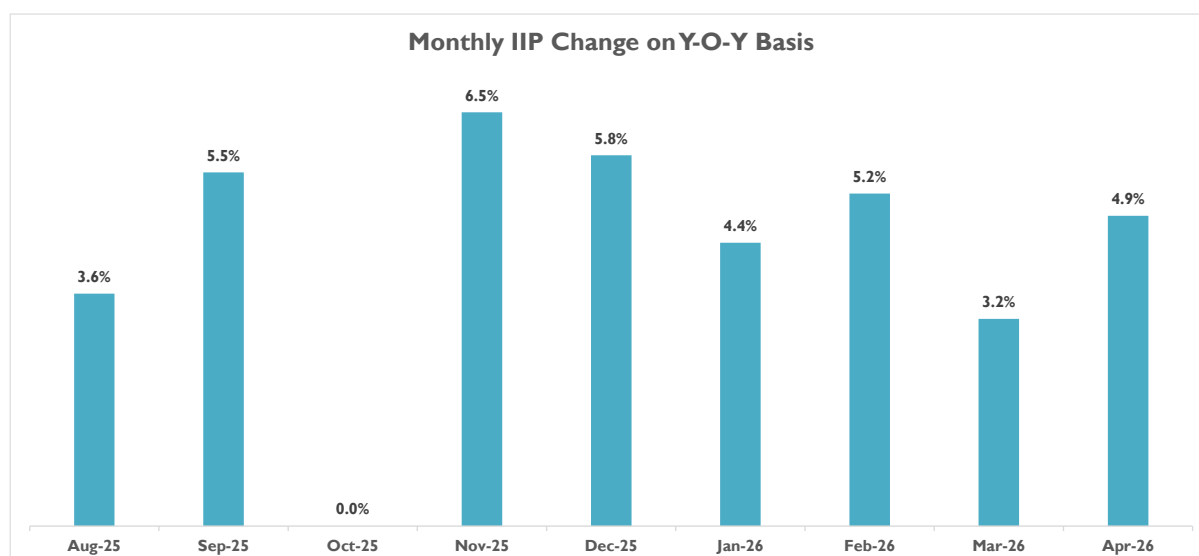
The services sector continued to be the main driver of economic growth. It expanded by 9.3% in FY 2026 from 7.9% in FY 2025. The services sector retained its position as the largest contributor to GVA, rising from 51.7% in FY 2024 to 52.0% in FY 2025, with a further increase to 52.7% in FY 2026.

The agriculture sector saw an acceleration in growth, increasing from 2.66% in FY 2024 to 4.18% in FY 2025, before moderating to 3.0% in FY 2026. However, its contribution to GVA declined marginally from 19.2% in FY 2024 to 17.8% in FY 2026. Overall, Gross Value Added (GVA) growth rose to 7.9% in FY 2026 from 7.3% in FY 2025.

Annual & Monthly IIP Growth

Industrial sector performance as measured by the IIP index exhibited moderation in FY 2026, recording a 4.3% y-o-y growth against 6.4% increase in the previous year. The manufacturing index showed moderation, increasing by 4.9% in FY 2026 compared with 6.3% in FY 2025. The Electricity & Gas Supply sector index also moderated, growing 1.1% in FY 2026 compared with 9.5% in the previous year. Water Supply, Sewerage & Waste Management also moderated by 6.4% in FY 2026 compared with 11.9% in the previous year, while the mining sector index grows by 3.7% in FY 2026 compared with 2.8% in the previous year.



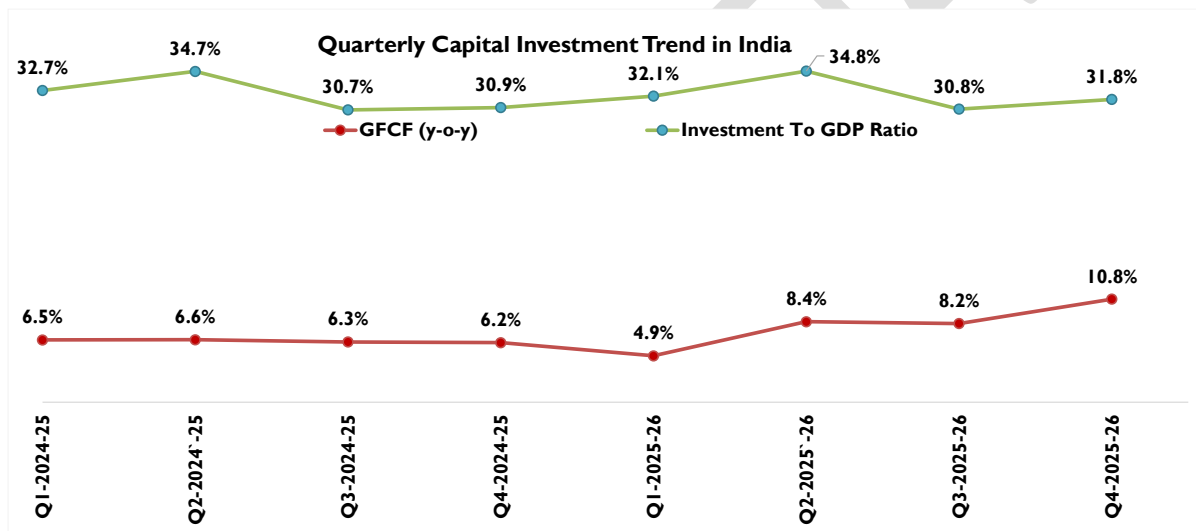
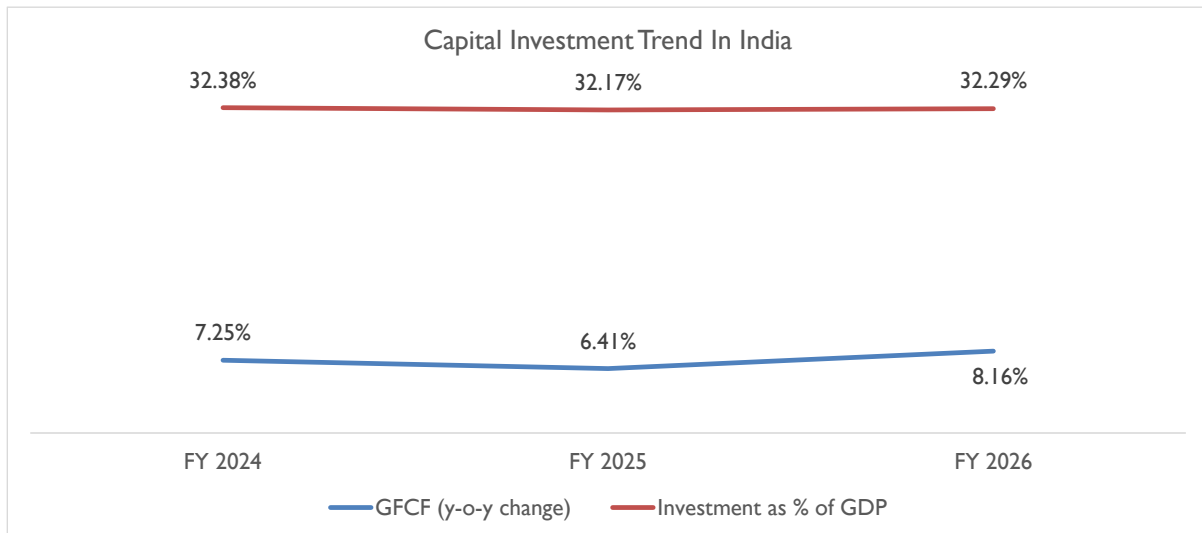


Source: Ministry of Statistics & Programme Implementation (MOSPI)

The IIP growth rate for the month of April 2026 is 4.9 percent as compared to April 2025. The growth rates of the Four sectors, Mining & Quarrying, Manufacturing, Electricity & Gas Supply and Water Supply, Sewerage & Waste Management for the month of April 2026 are (-)5.1 percent, 6.2 percent, 4.9 percent and 6.6 percent respectively

Annual and Quarterly: Investment & Consumption Scenario

Other major indicators, such as Gross Fixed Capital Formation (GFCF), a measure of investment, increased during FY 2026, registering 8.16% year-on-year growth compared with 6.41% in FY 2025, bringing the GFCF-to-GDP ratio to 32.29%.



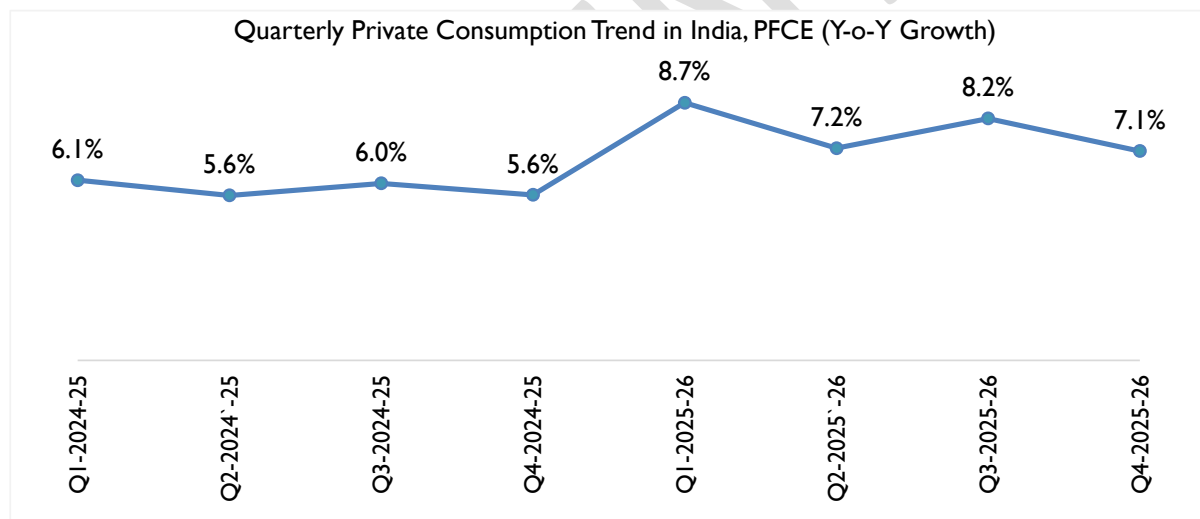
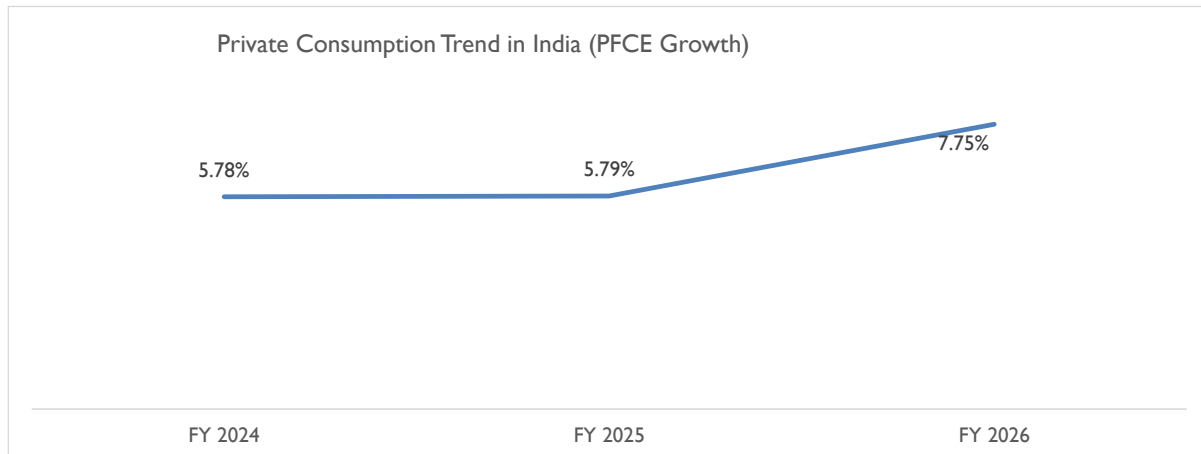
Source: Ministry of Statistics & Programme Implementation (MOSPI), CMIE Economics Outlook

On a quarterly basis, India's capital investment indicators reflect a healthy and improving investment environment, supported by sustained investment intensity and stronger capital formation in recent quarters. The Investment to GDP ratio remained consistently above 30% throughout the period, highlighting continued resilience in capital deployment. The ratio increased from 32.7% in Q1 FY 2024-25 to 34.7% in Q2, before moderating to 30.7% in Q3 and 30.9% in Q4. In FY 2025-26, the ratio improved again to 32.1% in Q1 and further strengthened to 34.8% in Q2, the highest level during the period, before remaining healthy at 30.8% in Q3 and 31.8% in Q4. This indicates that investment activity continued to remain robust despite normal quarterly variations.

GFCF (y-o-y) growth also points toward a positive investment trend, particularly in FY 2025-26. After remaining broadly stable during FY 2024-25, with growth ranging between 6.2% and 6.6%, GFCF growth accelerated meaningfully from 4.9% in Q1 FY 2025-26 to 8.4% in Q2 and 8.2% in Q3, before rising further to 10.8% in Q4. This strong improvement in the second half of FY 2025-

26 suggests strengthening fixed capital formation and a revival in investment momentum. Overall, the data indicates that India's capital investment landscape remains on a positive trajectory, with sustained investment levels and improving GFCF growth reflecting stronger capital spending, better investment confidence, and continued support for economic growth.

Private Consumption Scenario



Sources: MOSPI, CMIE Economics Outlook

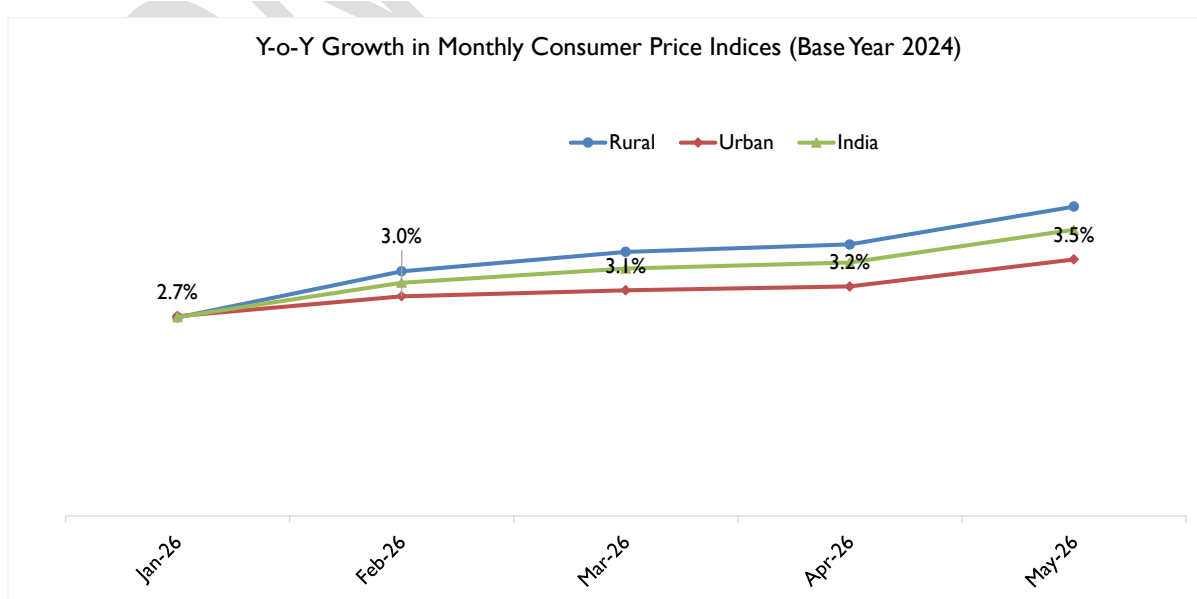
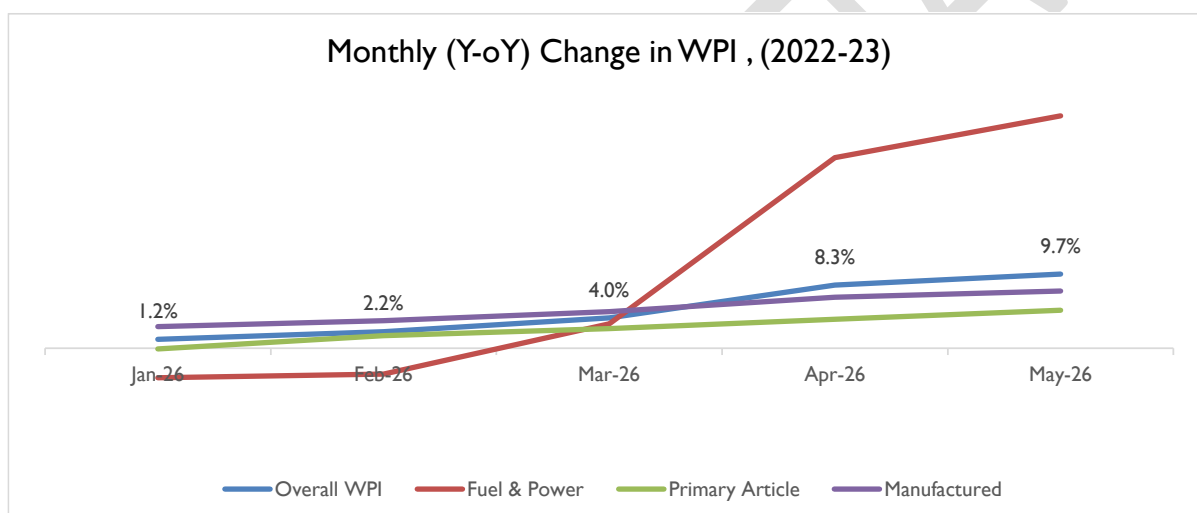
Private Final Consumption Expenditure (PFCE), a practical proxy for household spending, recorded growth in FY 2026 relative to FY 2025. PFCE recorded healthy growth in FY 2025-26 relative to FY 2024-25. However, quarterly PFCE growth moderated sequentially to 7.1% in Q4 FY 2025-26 from 8.2% in Q3 FY 2025-26

Inflation Scenario

The annual rate of inflation based on All India Wholesale Price Index (WPI) number is 3.88% (provisional) for the month of March 2026 (over March 2025). Positive rate of inflation in March 2026 is primarily due to increase in prices of crude petroleum & natural gas, other manufacturing, non-food articles, manufacture of basic metals and food articles etc.

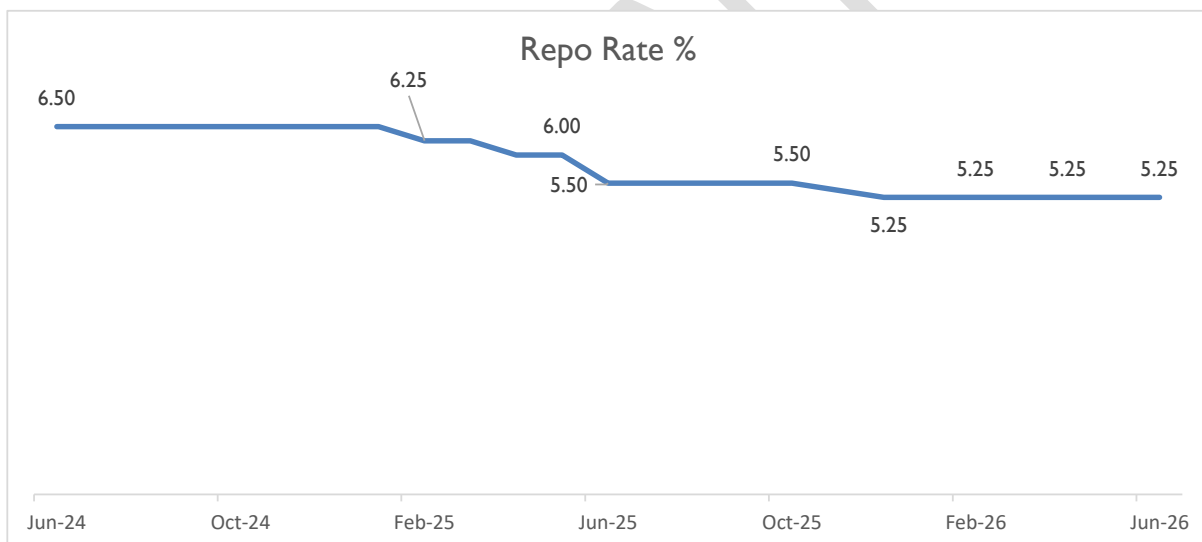
All India Wholesale Price Index (WPI) inflation for May 2026 is 9.68 per cent on year-on-year (YoY) basis, compared to 8.26 per cent in April 2026. The index for All Commodities for May 2026 stands at 109.9, whereas it was 108.8 in April 2026. Across Groups, 'Mineral Oils (containing Petroleum Products)', 'Crude Petroleum and Natural Gas', 'Manufacture of Chemicals and Chemical Products', and 'Manufacture of Basic Metals', have been major drivers of WPI inflation in April and May 2026.

Across Major Groups, YoY inflation for Primary Articles, Fuel and Power, and Manufactured Products is 4.99 per cent, 30.33 per cent, and 7.48 per cent, respectively in May 2026, whereas it was 3.78 per cent, 24.89 per cent, and 6.68 per cent, respectively, in April 2026. The indices for Primary Articles, Fuel and Power, and Manufactured Products are 113.7, 113, and 107.8, respectively, in May 2026, whereas they were 112.6, 110.9, and 107, respectively, in April 2026.



Source: MOSPI, Office of Economic Advisor

With effect from January 2026, the National Statistics Office (NSO) introduced a revised CPI series with base year 2024=100, drawing revised item weights from the Household Consumption Expenditure Survey (HCES) 2023-24. Year-on-year inflation rate based on All India Consumer Price Index (CPI) with base year 2024 for the month of May, 2026 over May, 2025 is 3.93%(Provisional). Corresponding inflation rates for rural and urban are 4.25% and 3.53%, respectively. On the monetary policy front, the RBI had cumulatively raised the repo rate by 250 basis points between May 2022 and February 2023, bringing it to 6.50%, where it was held steady through January 2025 to anchor inflationary expectations. With inflation moderating below target and growth requiring support, the RBI's Monetary Policy Committee (MPC) commenced an easing cycle in February 2025, delivering a cumulative 125 basis points of rate cuts through four reductions — 25 bps each in February 2025, April 2025, and December 2025, and a larger 50 bps cut in June 2025 — interspersed with pauses in August and October 2025. The repo rate currently stands at 5.25%, in June 2026.



Sources: CMIE Economic Outlook

Growth Outlook

The Union Budget 2026–27 sets out a quantitatively strong push to build resilient supply chains and develop next-generation industrial capacity. The record ₹12.2 trillion capital expenditure outlay is aimed at easing logistics bottlenecks and enhancing India's cost competitiveness. Employment measures extend across both urban and rural India in one sweep. In cities and large towns, capex is channelled into “connectors” such as the seven proposed high-speed rail corridors and upgraded Tier-2 and Tier-3 infrastructure, thereby creating construction, logistics, and service jobs while cutting commute times. In smaller towns and villages, job creation is expected to be supported by mega textile parks, the Mahatma Gandhi Gram Swaraj Initiative's push for khadi and

handloom, training for tourist guides, and new waterways and coastal shipping. Together, these steps broaden the wage base instead of providing a short-term bump.

This domestic push is complemented by targeted measures to strengthen strategic supply chains. Dedicated rare earth corridors in Odisha, Kerala, Andhra Pradesh, and Tamil Nadu; customs exemptions for capital goods used in critical mineral processing and battery cells; and the India Semiconductor Mission 2.0 aim to pull manufacturing deeper into components and materials. If executed well, these measures could reduce import dependence in magnets, batteries, and chip inputs and lift the share of higher-productivity manufacturing jobs — thereby raising household incomes durably.

Alongside these domestic measures, India is also seeking to strengthen its external trade architecture through major trade agreements. The conclusion of the India–EU FTA negotiation marks a major strategic milestone, as it offers near-universal market access for 99.5% of India’s exports by value and integrates India more deeply into a USD 24 trillion economic bloc. By providing duty-free entry for key labour-intensive sectors, expanding services access, and establishing a mobility framework for Indian professionals, the deal is expected to improve market access, support export competitiveness and high-value job creation. It is likely to promote a predictable, rules-based environment for long-term trade and investment flows.

In a similar vein, India–Oman Comprehensive Economic Partnership Agreement (CEPA)³ has been framed as a comprehensive arrangement covering trade in goods and services, investment, professional mobility, and regulatory cooperation, with the objective of strengthening bilateral economic integration between India and Oman. Bilateral trade between the two countries stood at USD 10.61 billion in FY 2024–25, providing the economic basis for the agreement. Under the CEPA, India has secured 100% duty-free market access in Oman across 98.08% of tariff lines, covering 99.38% of India’s export value, thereby improving export competitiveness across sectors such as engineering goods, pharmaceuticals, agriculture and processed food, electronics, textiles, plastics, and gems and jewellery. At the same time, India has adopted a calibrated liberalisation approach by offering tariff concessions on 77.79% of its tariff lines, covering 94.81% of imports from Oman by value, while retaining safeguards for sensitive domestic sectors. The agreement also provides gains in services, with Oman undertaking commitments across 127 services sub-sectors, alongside improved provisions for professional mobility, including an increase in the Intra-Corporate Transferee ceiling from 20% to 50% and commitments for a defined category of Indian professionals. Overall, the CEPA is presented as a framework intended to support trade

³ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2213203®=3&lang=1>

The Comprehensive Economic Partnership Agreement (CEPA) between India and Oman marks a meaningful step forward in the economic relationship between the two countries. The agreement brings together trade in goods and services, investment, professional mobility, and regulatory cooperation under a single, coherent framework aimed at deepening bilateral economic integration.

expansion, improve market access, and strengthen long-term economic cooperation between India and Oman.

However, these gains remain exposed to external geopolitical risks. The escalation of the Middle East crisis represents an external shock for India, transmitted primarily through energy markets, logistics, and trade-linked business exposure. The Gulf–Levant 11⁴ (GL 11) economies account for around 15% of India’s merchandise exports and 21% of its imports, with trade concentrated in high-value categories such as mineral fuels, precious metals, and electronics; disruptions in this region therefore have an outsized impact despite its modest share of global GDP.

Export exposure is unevenly distributed across India, with risks concentrated in specific districts that serve as production hubs. Discretionary exporters, such as gems and jewellery firms in the districts of Surat, Jaipur, and Mumbai; apparel manufacturers in Tiruppur; automotive producers in Ahmedabad; and electronics assemblers in Kanchipuram and Kolar, are vulnerable to demand slowdown and order deferrals in Gulf markets.

At the same time, Perishable agricultural exporters, including grapes from Nashik, bananas from Solapur, and bovine meat from Ghaziabad, face acute risks from shipping delays and logistics disruptions. Dun & Bradstreet data show that over 4,500 Indian exporters and around 1,800 importers relied on the Strait of Hormuz trade route in 2025, exposing them to working capital stress, payment delays, and production interruptions, while, for import-dependent industries, delays in critical inputs raise the risk of temporary shutdowns and sustained energy price volatility amplifies margin pressure across manufacturing and services.

⁴ For the purposes of this report, the analysis is confined to a defined group of countries referred to as the Gulf–Levant 11 (GL-11). This group comprises Bahrain, Iran, Iraq, Israel Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. These economies are treated collectively because they are either directly involved in, or immediately exposed to, the current crisis through geographic proximity, security linkages, energy production and transit, or their role as regional trade and financial hubs

Key Growth/Demographic Drivers for Economic Growth

Government focus on infrastructure development

The infrastructure sector has received a strong boost in Budget FY'27, marked by a record INR 12.2 trn⁵ public capital expenditure allocation, reinforcing the government's focus on making assets more efficient and sustainable. The introduction of the landmark Infrastructure Risk Guarantee Fund aims to provide partial credit guarantees to lenders and revitalise private sector participation in large-scale projects. By lowering project risk premiums and easing borrowing costs, this mechanism is likely to help crowd in private capital and accelerate construction phase financing across the sector. The transport and logistics sector, in particular, will buoy infrastructure growth. Railways have received a substantial boost in allocation, which will help support the planned development of seven new high-speed rail corridors and a Dankuni-Surat DFC⁶, which aims to cut logistics costs and improve national connectivity. Moreover, the rollout of 20 new National Waterways, new ship repair hubs and a scheme to double the share of coastal and inland water transport from 6.0% to 12.0% by 2047⁷ will together build a greener, more efficient multimodal freight network. Urban transformation continues through targeted development of Tier-2 and Tier-3 cities – with populations over 0.5mn – alongside the creation of City Economic Regions, each supported by multi-year, challenge-based financing to establish new growth hubs and reduce pressure on metros. A broader ecosystem of reforms strengthens medium-term sector prospects. The government aims to scale domestic construction and infrastructure equipment manufacturing, reducing import dependence and improving execution capability in tunnelling, metro construction and road building machinery. The monetisation of CPSE assets will be accelerated through dedicated REIT⁸ structures, helping unlock liquidity for redevelopment and new project pipelines. Additional support flows through region-specific initiatives, such as industrial corridor expansion, and tourism development in cultural and Buddhist heritage zones will further reinforce construction demand.

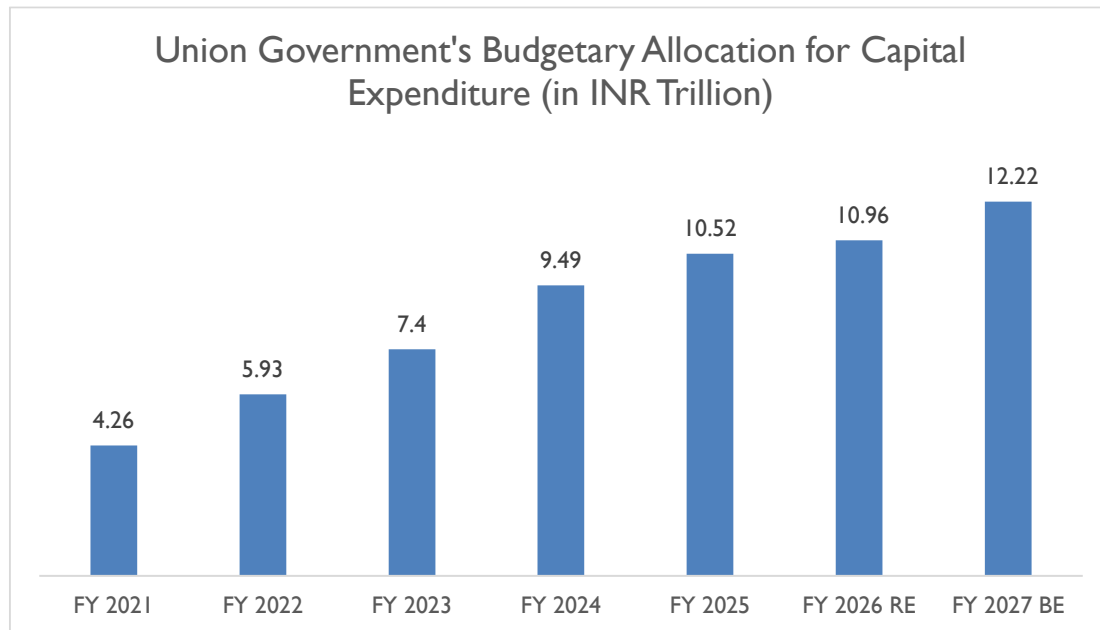
Together, these measures will strengthen India's infrastructure ecosystem through higher public investment, improved risk mitigation tools and wider multimodal connectivity – creating a constructive environment for sustained growth in construction, logistics and urban development.

⁵<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2222521®=3&lang=1#:~:text=Reinforcing%20the%20role%20of%20public,productive%20capacity%20across%20the%20economy.>

⁶ <https://prsindia.org/budgets/parliament/demand-for-grants-2026-27-analysis-railways>

⁷ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2221817®=3&lang=1>

⁸ https://www.hindustantimes.com/real-estate/budget-2026-eyes-dedicated-reits-for-cpse-asset-monetisation-what-it-means-for-investors-101769942312710.html#google_vignette



Union Budget, Government of India
Note: BE (Budget Estimates) and RE (Revised Estimates)

Development of Domestic Manufacturing Capability

The Government launched the Production Linked Incentive (PLI) scheme in early 2020, initially aimed at improving domestic manufacturing capability in large-scale electronic manufacturing and gradually extended to other sectors. At present it covers 14 sectors, ranging from medical devices to solar PV modules. The PLI scheme provides incentives to companies on incremental sales of products manufactured in India. This incentive structure is aimed at attracting private investment into setting up manufacturing units and thereby strengthening domestic production capabilities. The overall incentive outlay earmarked for the PLI scheme is estimated to be INR 2 trillion. If fully realised, the PLI scheme could add nearly 4% to annual GDP growth, by way of incremental revenue generated from the newly formed manufacturing units.

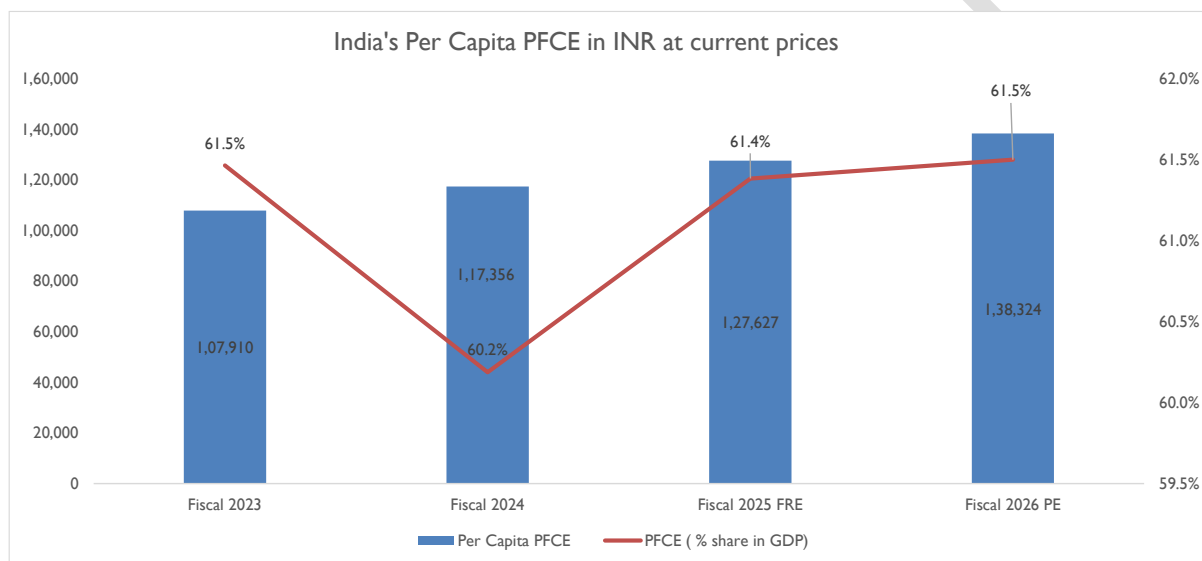
Strong Domestic Demand

Domestic demand has traditionally been one of the key drivers of the Indian economy. After a brief lull caused by the Covid-19, domestic demand is recovering. Consumer Confidence surveys by the Reserve Bank and other institutions point to an improvement in the Consumer Confidence Index, which is a precursor of improving demand. India has a strong middle-class segment, which has been the major driver of domestic demand. Factors like fast paced urbanization and improving income scenario in rural markets are expected to accelerate domestic demand further. This revival is reflecting in the private final consumption expenditure (PFCE) metric.

India's per capita Private Final Consumption Expenditure (PFCE) at current prices has shown a consistent upward trend, indicating steady improvement in household consumption levels over the years. Per capita PFCE increased from INR 1,07,910 in Fiscal 2023 to INR 1,17,356 in Fiscal 2024, and further rose to INR 1,27,627 in Fiscal 2025 FRE. It is estimated to increase further to INR

1,38,324 in Fiscal 2026 FE, reflecting continued growth in consumer spending and improving consumption capacity.

PFCE as a share of GDP also remained healthy during the period, broadly staying above 60%. The share stood at 61.5% in Fiscal 2023, moderated to 60.2% in Fiscal 2024, before recovering to 61.4% in Fiscal 2025 FRE and further improving to 61.5% in Fiscal 2026 FE. This indicates that private consumption continues to remain a key driver of India's economic growth. Overall, the steady increase in per capita PFCE, along with a stable PFCE share in GDP, reflects resilient household demand and sustained consumption momentum in the economy.



Source: Ministry of Statistics & Programme Implementation (MOSPI)

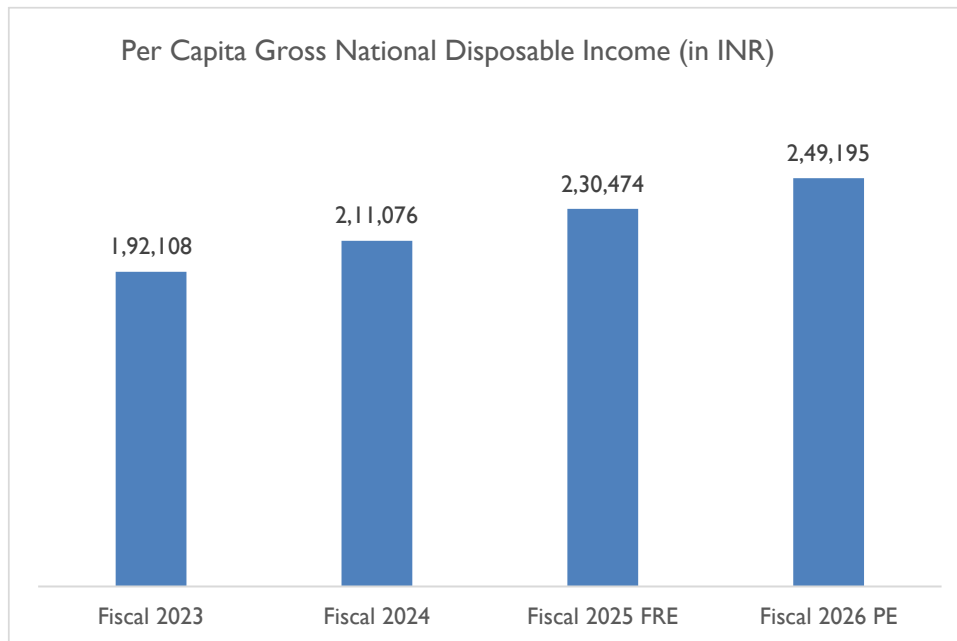
FRE is First Revised Estimate; PE is Provisional Estimates

There are two factors driving this domestic demand: first, the large pool of consumers; and second, the improvement in purchasing power.

- The share of middle class increased from nearly 14% in 2005 to nearly 30% in 2021 and is expected to cross 60% by 2047⁹. This expanding middle class household segment is fuelling India's growth story and would continue to play a key role in propelling India's economic growth.
- Consumer-driven domestic demand is majorly fuelled by this growth in per capita income. As per National Statistics Office (NSO), India's per capita Gross National Disposable Income (GNDI) has shown a steady upward trend, reflecting improvement in overall income levels and disposable income capacity. Per capita GNDI increased from INR 1,92,108 in Fiscal 2023 to INR 2,11,076 in Fiscal 2024 and further rose to INR 2,30,474 in

⁹ As per the survey conducted by People Research on India's Consumer Economy. Households with annual income in the range of INR 5 – 30 lakh are considered as middle-class households.

Fiscal 2025 FRE. It is estimated to increase further to INR 2,49,195 in Fiscal 2026 PE, indicating continued growth in income levels across the economy. The consistent rise in per capita GNDI highlights strengthening purchasing power and improving household income conditions, which can support consumption demand going forward. Overall, the trend reflects a positive income environment, with rising disposable income expected to contribute to sustained private consumption and broader economic growth.



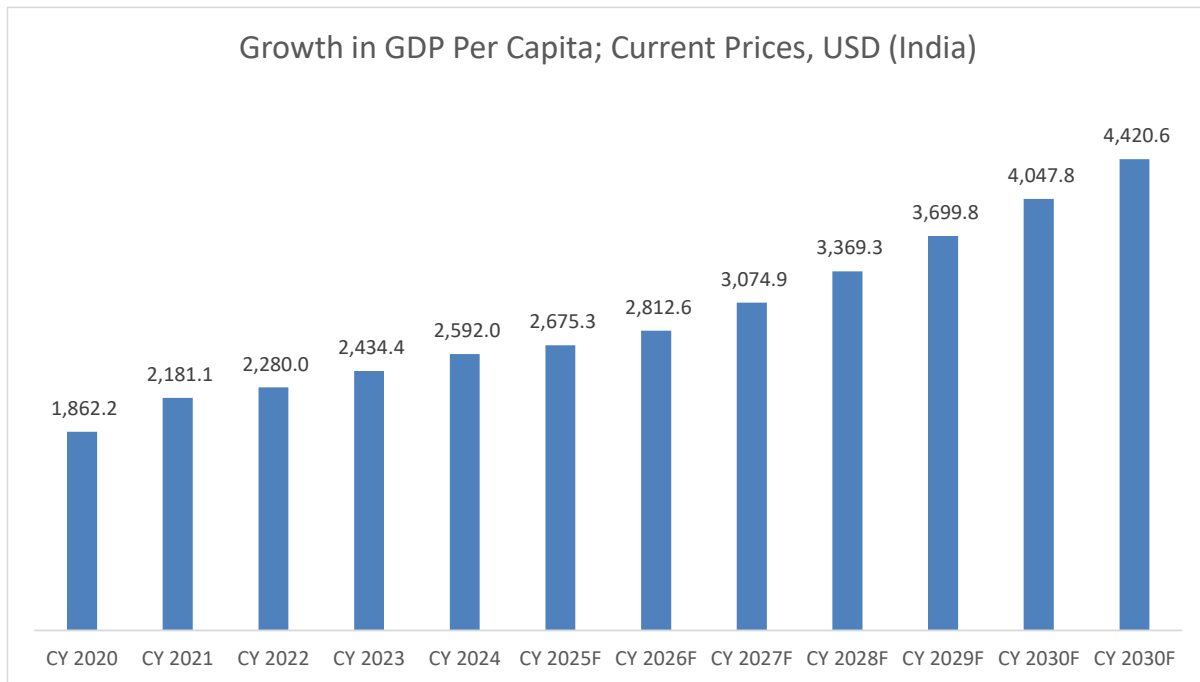
Source: Ministry of Statistics & Programme Implementation (MOSPI)

FRE is First Revised Estimate; PE is Provisional Estimates

India's Per Capita GDP Trends

India is poised to become the world's third-largest economy with a projected GDP of USD 5 trillion within the next three years, driven by ongoing reforms. As one of the fastest-growing major economies, India currently holds the position of the fifth-largest economy globally, following the US, China, Japan, and Germany. By 2027-28, it is anticipated that India will surpass both Germany and Japan, reaching the third-largest spot. This growth is bolstered by a surge in foreign investments and a wave of new trade agreements with India's burgeoning market of 1.4 billion people. The aviation industry is witnessing unprecedented orders, global electronics manufacturers are expanding their production capabilities, and suppliers traditionally concentrated in southern China's manufacturing hubs are now shifting towards India.

To achieve its vision of becoming the world's third-largest economy by 2027-28, India will need to implement transformative industrial and governmental policies. These policies will be crucial for sustaining the consistent growth of the nation's per capita GDP over the long term.

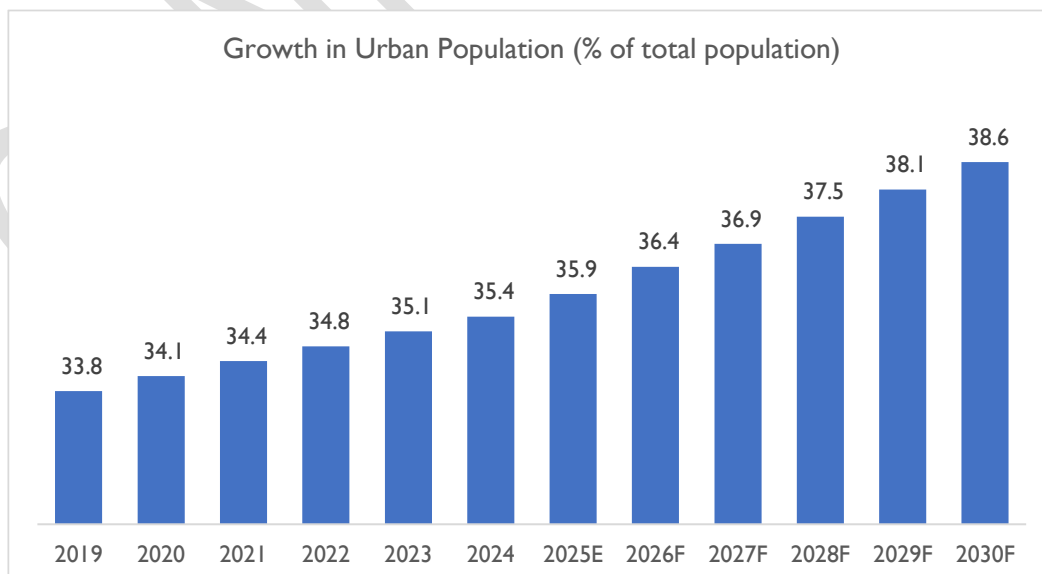


Source: IMF

From CY 2024 to CY 2031, India's per capita GDP is projected to grow at a compound annual growth rate of 7.9%. This growth will be driven by the service sector, which now accounts for over 50% of India's GDP, marking a significant shift from agriculture to services.

Increasing Urbanization

As per the Handbook of Urban Statistics 2022, India's urban population has been on a steady rise. Urban dwellers accounted for over 469 million in 2021 and are projected to rise to over 558 million by 2031 and further exceed 600 million by 2036.



Source: World Bank,¹⁰ Dun & Bradstreet Research and Estimates

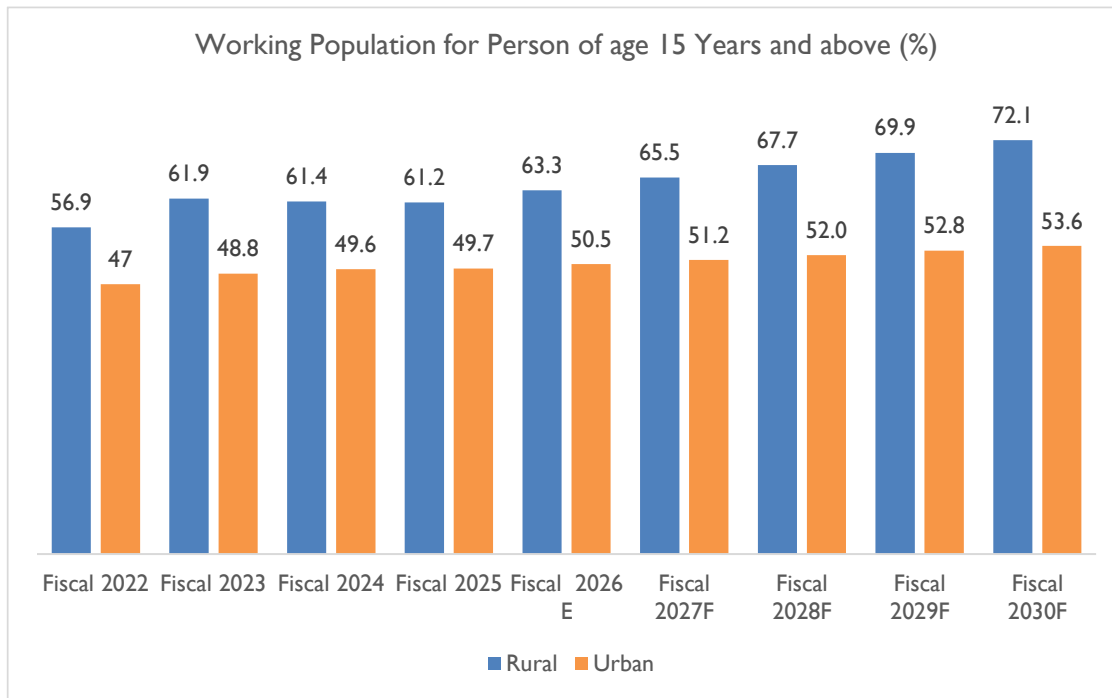
The share of urban population in total population has been rising steadily. In 2019, 33.81% of the total population was urban. By 2025, it had reached 35.9%, showing an increase over a span of five years of about 2.10%. The share of urban population is further forecasted to cross 38.6% by 2030. This increase in urban population is set to demand drastic changes in infrastructure development. Cities are a major driver for the construction industry. With cities expanding rapidly, there will be an increased need for improved housing, water supply, sewage systems, and electricity. Urban planning will need to account for higher population densities, necessitating the development of smart cities with integrated technology for efficient management of resources and services. The Smart Cities Mission targeted at 100 cities is aimed at improving the quality of life through modernised, technology-driven urban planning. This transformation will also require significant investment in public health, education, and recreational facilities to enhance the quality of urban living. The surge in urban population will also propel demand for improvement in multimodal transport infrastructure for freight and passenger travel requirements.

Rural vs. Urban Working Population by Age Group

As India continues to experience economic growth and development, the working population in both rural and urban areas is increasing. In the case of the urban population, this growth is reflected in the increase from a share of 47% in FY22 to 49.7% in FY25, whereas in rural areas, it grew from 56.9% in FY22 to 61.2% in FY25.

This growth is driven by a combination of factors, including demographic changes, economic policies, and the expansion of various industries. The rise in employment opportunities across sectors such as agriculture, manufacturing, services, and information technology has contributed to the overall increase in the working population, thereby fostering economic stability and enhancing the standard of living for many Indians.

¹⁰<https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS?end=2022&locations=IN&skipRedirection=true&start=1960&view=chart>



Source: Periodic Labour Force Survey (PLFS) Annual Report, Dun & Bradstreet Research and Estimates

Note: 2025 refers to the period January 2025 – December 2025 and likewise for 2024, 2023 and 2022

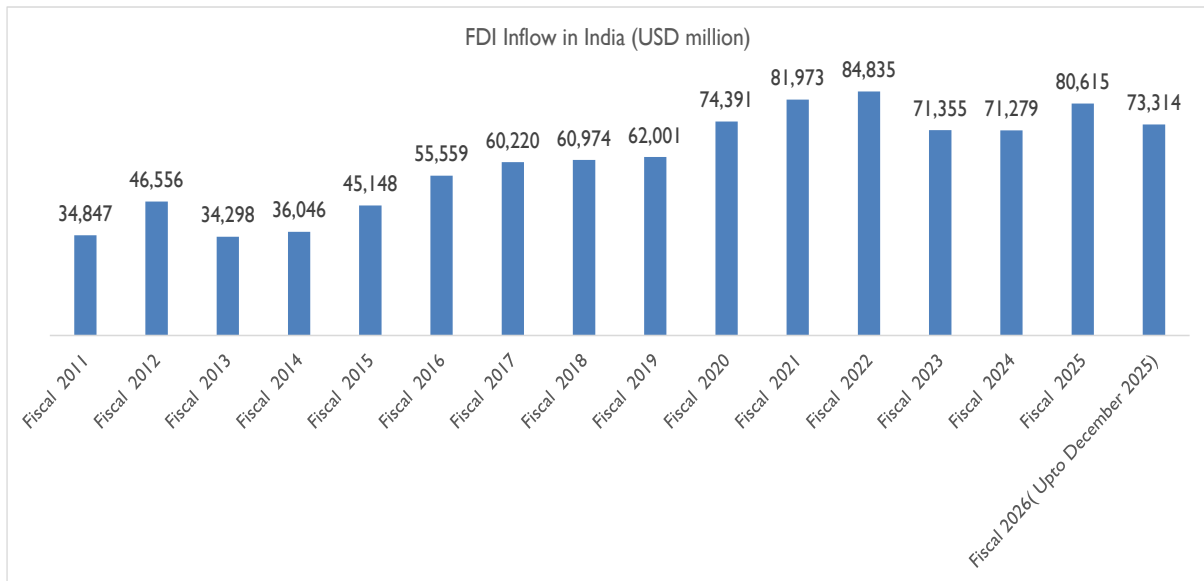
In urban areas, the working population is growing rapidly due to the proliferation of jobs in sectors like IT, finance, retail, and healthcare. Additionally, the development of infrastructure, such as improved transportation networks and housing, has made urban centers more accessible and desirable for the working population. In rural areas, the working population remains substantial, primarily due to the dominance of the agricultural sector. Government initiatives aimed at rural development, such as improved access to education and skill development programs, have also played a crucial role in enhancing employment prospects in these regions.

The dominance of the rural working population over its urban counterpart can be attributed to the labour-intensive nature of the agricultural sector, which ensures a consistent demand for human labor despite advancements in mechanization, sustaining employment rates in rural areas.

Foreign Direct Investment Trend in India

FDI inflows in India observed a steady increase from FY 2013 to FY 2022 while it witnessed a decline of 15% in FY 2023 and a decline of 0.1% in FY 2024 due to several factors, including the ongoing conflict between Russia and Ukraine, changes in US monetary policy, and other global uncertainties. However, the country has received substantial FDI inflows from April 2000 to December 2024. This increasing FDI can be attributed to the new investment facilitation measures like the National Single-Window System (NSWS), which streamlines the approval and clearance process for investors, entrepreneurs, and businesses, along with sectoral measures and PLI schemes, supporting growth prospects in tier-2 and tier-3 cities. Further, tax compliance for startups and foreign investors has been simplified and the Income Tax Act, 1961, was amended in

2024 to abolish angel tax and to reduce income tax rate chargeable on income of a foreign company.



Sources: Department for Promotion of Industry and Internal Trade

Industry Analysis

The Indian auto component sector is an integral part of the country's manufacturing ecosystem and automotive value chain, supplying components and systems across passenger vehicles, commercial vehicles, two-wheelers, three-wheelers and emerging electric mobility applications. The industry is progressively moving towards Advanced Automotive Technology (AAT), with growing requirements for electric powertrains, batteries, power electronics, vehicle electronics and other technology-intensive systems. The Government's current policy framework is focused on strengthening domestic manufacturing, promoting localisation and developing globally competitive automotive supply chains

The supplier ecosystem continues to comprise multiple tiers, ranging from Tier-I manufacturers supplying system-level products to OEMs to Tier-2 and Tier-3 suppliers providing specialised components, processed materials and sub-assemblies. A key policy focus is increasing domestic value addition in technologically advanced products. Under PLI-Auto, eligible products must achieve a minimum **50% Domestic Value Addition (DVA)** to qualify for incentives; as of **16 July 2026, 18 applicants had received DVA certificates covering 154 products/variants**.¹¹ Manufacturing capacity supported by the PLI-Auto programme is spread across India's established automotive production centres as well as emerging locations. As of **31 March 2026, 225 manufacturing units** had been established under the scheme. Maharashtra accounted for **66 units**, followed by Tamil Nadu with **38**, Haryana with **35**, Karnataka with **28**, Uttar Pradesh with **13**, Gujarat with **10** and Uttarakhand with **9**, with the remaining units distributed across other states.¹²

Investment activity in advanced automotive manufacturing has strengthened materially. As of **31 March 2026, PLI-Auto applicants had reported cumulative investment of INR 44,326 crore**, against a target investment of INR 42,500 crore by 31 March 2027.¹³ This indicates that investment commitments under the programme have already exceeded the targeted level ahead of the scheme's completion period. Commercialisation under the programme has also progressed, with PLI-Auto applicants reporting **INR 52,414 crore of incremental sales as of 31 March 2026**. The figure represents incremental sales against the scheme's base year of FY2019-20 and reflects the scale of additional business generated by approved AAT products under the programme.¹⁴

¹¹ <https://www.pib.gov.in/PressReleasePage.aspx>

¹² <https://www.pib.gov.in/PressReleasePage.aspx>

¹³ <https://www.pib.gov.in/PressReleasePage.aspx>

¹⁴ <https://www.pib.gov.in/PressReleasePage.aspx>

The sector's employment impact is also becoming more visible through technology-oriented manufacturing investments. PLI-Auto had generated ¹⁵**67,820 employment opportunities as of 2026**, while **INR 2,386.36 crore** had been disbursed as incentives under the programme by the same date. The sector is simultaneously adapting to the increasing importance of electric mobility and battery technologies. The Government's PLI scheme for Advanced Chemistry Cell (ACC) battery storage carries an outlay of **INR 18,100 crore for 50 GWh of manufacturing capacity**. As of **31 May 2026**, beneficiary firms had reported **INR 5,180 crore of investment and 1,277 direct jobs**, while **40 GWh of ACC capacity** had been awarded across approved projects.¹⁶

The development of the EV ecosystem is being complemented by investment in automotive testing and validation infrastructure. Under PM E-DRIVE, the Government has provided **INR 780 crore in grants for creation of capital assets to upgrade automotive testing agencies**, of which **INR 16.63 crore had been disbursed as of 2026**. Strengthening testing infrastructure is relevant for the growing use of advanced electronics, electric powertrains and other new-generation automotive systems.¹⁷ The Government's manufacturing policy is therefore increasingly centred on technology development rather than conventional component production alone. PLI-Auto has a total budgetary outlay of **INR 25,938 crore** and operates through **FY2026-27**, with incentives targeted at Advanced Automotive Technology products, including zero-emission vehicles. The scheme is intended to promote economies of scale, deep localisation and the development of domestic and global supply chains for advanced automotive products.¹⁸

Insights on key attributes/features of the product

The auto components industry is defined by precision manufacturing, stringent quality standards, and growing adoption of advanced technologies like automation and digitalization. It is rapidly evolving in response to electrification, lightweighting, and sustainability demands, while maintaining deep integration with global and domestic supply chains. These attributes position the sector as a critical enabler of innovation, efficiency, and competitiveness within the broader automotive ecosystem.

Precision-Oriented and Specialized Manufacturing

The auto components industry is fundamentally driven by precision manufacturing. It involves the production of complex parts that must meet exact design specifications to ensure seamless performance in vehicles. From castings and forgings to machined and moulded parts,

¹⁵ <https://www.pib.gov.in/PressReleasePage.aspx>

¹⁶ <https://www.pib.gov.in/PressReleasePage.aspx>

¹⁷ <https://www.pib.gov.in/PressReleasePage.aspx>

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manufacturers must maintain strict tolerances and high levels of dimensional accuracy. Each component, whether it's an engine crankshaft or an airbag sensor, undergoes rigorous process controls and often requires specialized tooling and equipment. The nature of production demands a skilled workforce, advanced automation, and continuous process optimization to meet the quality and volume expectations of automotive OEMs.

High Dependence on Quality Standards and Certifications

Quality assurance is a cornerstone of the auto components industry. Given the safety-critical nature of automotive parts, manufacturers must comply with global quality systems like IATF 16949, ISO 14001, and customer-specific OEM standards. These certifications govern every stage of the manufacturing process, from raw material sourcing to final inspection, ensuring zero-defect production and traceability. Components must also pass stringent durability, fatigue, and environmental tests. This strong emphasis on quality not only safeguards vehicle performance and passenger safety but also acts as a key enabler for accessing global markets and maintaining long-term OEM partnerships.

Manufacturing Precision and Process Stability

Manufacturing precision is a core technical attribute, especially for engine, transmission, braking, and driveline components, where tight tolerances are essential. High-precision CNC machining, multi-axis turning centres, robotic welding, and automated assembly lines are increasingly deployed to ensure dimensional accuracy and repeatability. Process stability is monitored using statistical process control and capability indices, enabling consistent quality across large production volumes.

Engineering Design and Simulation Capability

Auto components are increasingly designed using advanced CAD and CAE tools to meet stringent performance, durability, and packaging requirements. Simulation techniques such as finite element analysis (FEA), computational fluid dynamics (CFD), and kinematic modelling are used to optimize stress distribution, airflow, thermal behaviour, and fatigue life before physical prototyping. This reduces development timelines and improves first-pass validation success, particularly for safety-critical and high-load components.

Technological Shift Toward Electrification and Lightweighting

The growing transition to electric mobility has reshaped demand within the component industry. Traditional internal combustion engine (ICE) parts are gradually being replaced by components such as battery management systems, electric drivetrains, and power electronics. Additionally, there is an increasing focus on lightweight materials like aluminium, magnesium, and advanced polymers to reduce vehicle weight and improve energy efficiency. This shift has pushed suppliers

to invest in R&D and re-engineer product portfolios. Companies that adapt quickly to these evolving technological requirements are better positioned to serve future vehicle platforms and remain competitive globally.

Integration of Digital Technologies and Industry 4.0

Automation, digitalization, and smart manufacturing have become essential features of the modern auto components sector. Factories are increasingly adopting Industry 4.0 solutions such as AI-enabled quality inspection, real-time machine monitoring, digital twins, and predictive maintenance. These technologies enhance productivity, reduce downtime, and improve product consistency. Moreover, digital tools enable better supply chain visibility, inventory management, and customer responsiveness. The move toward smart factories is not just about operational efficiency, it is also a strategic response to the demands of just-in-time delivery and lean manufacturing in the automotive supply chain.

Deep Integration with Global and Domestic Supply Chains

Auto component manufacturers operate as part of complex, tiered supply chains. Tier 1 suppliers typically work directly with vehicle OEMs, while Tier 2 and Tier 3 players supply subassemblies, raw materials, or specialized processes. To succeed, firms must manage logistics, quality, and delivery expectations across borders. In India's context, the industry is becoming a preferred global sourcing base, especially as global OEMs diversify their supply chains under the "China+1" strategy. Companies that can ensure cost-effective, timely, and compliant supply are increasingly becoming key partners in the global automotive value chain.

Testing, Validation, and Reliability Assurance

Auto components undergo extensive validation to ensure performance under mechanical, thermal, electrical, and environmental stresses. Testing typically includes endurance and fatigue testing, vibration analysis, thermal cycling, corrosion resistance, and functional performance evaluation. Suppliers with in-house testing facilities can accelerate OEM approval cycles and respond more effectively to design changes or field issues.

Focus on Sustainability and Eco-Efficiency

Sustainability is emerging as a critical feature of the auto components industry. Environmental regulations and consumer expectations are driving the need for greener manufacturing practices, such as energy-efficient operations, reduced emissions, and the use of recyclable materials. Manufacturers are implementing waste reduction strategies, switching to renewable energy sources, and designing components that are more environmentally friendly. Moreover, the push

for electric vehicles is inherently linked with environmental performance, making it necessary for component suppliers to align their practices with global sustainability goals and ESG standards.

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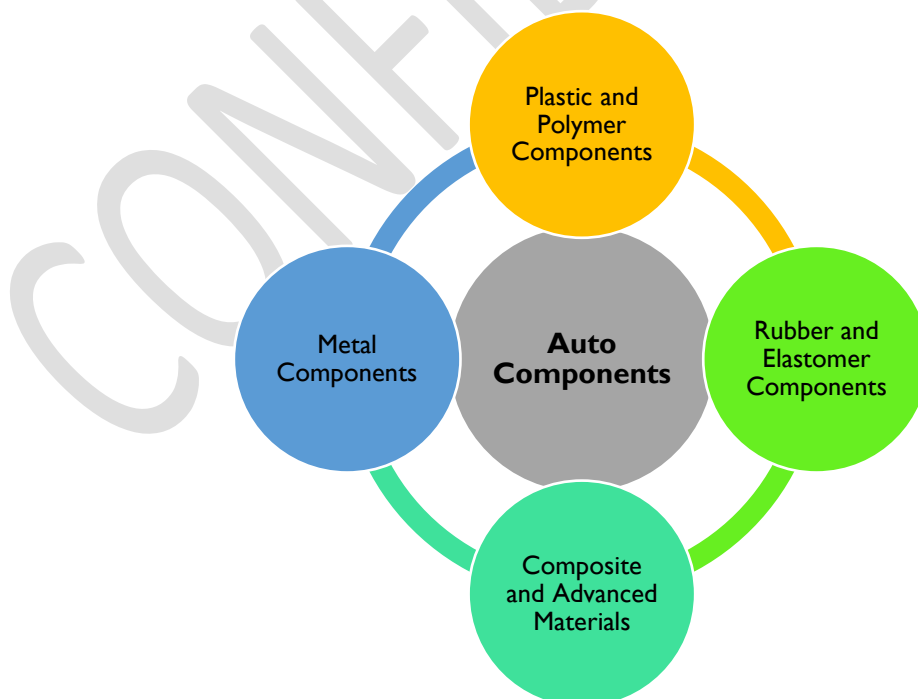
Classification of Auto Components by Material Type

The auto component industry encompasses the manufacturing of a wide array of parts and subsystems essential for vehicle assembly and operation. These range from powertrain components like engine and transmission parts to chassis systems, electrical and electronic modules, interior trims, and structural body elements. As a crucial part of the automotive value chain, the industry supports Original Equipment Manufacturers (OEMs) by delivering precision-engineered parts that ensure performance, safety, and efficiency.

A notable trend in this sector is the growing adoption of robotic automation. Component manufacturers, responding to stringent quality and consistency demands from OEMs, have implemented robotic technologies across production lines. Unlike full-vehicle assembly plants, where large integrated automation lines dominate, the auto component sector typically uses standalone robotic cells, offering flexibility to handle the diverse range of parts and manufacturing processes involved. These robotic systems are deployed across domains such as plastics, metalworking, electronics, and mechanical assembly, enhancing precision, reducing cycle times, and improving quality.

Material Type

Auto components are further classified based on the materials used in their manufacture. Material selection is driven by functional performance, durability, cost, weight, and design flexibility considerations.



Metal Components: Metallic components dominate structural and mechanical systems of vehicles due to their strength, thermal resistance, and load-bearing capability. Robotics plays a significant role here, especially in metalworking tasks such as press loading/unloading, welding, grinding, and finishing.

- Steel and Cast Iron: Used in engine blocks, gear housings, crankshafts, and chassis frames, offering strength and heat resistance.
- Aluminium: Selected for weight-sensitive applications like engine heads, brackets, and heat exchangers to improve fuel economy.
- Forged Metal Parts: Found in connecting rods, axles, suspension arms, and steering knuckles, these parts benefit from high strength and fatigue resistance.
- Sheet Metal: Used for doors, hoods, and body panels, often shaped and assembled using robotic welding and pressing systems.

Plastic and Polymer Components: Plastics are widely used in both visible and functional areas of a vehicle due to their light weight, corrosion resistance, and moulding versatility. In plastic component production, robots handle injection moulding, trimming, assembly, and painting. Plastics and light weighting are synonymous. Over the years, we have observed an increase in the manufacture of lightweight vehicles owing to the use of plastic components. PLEXCONCIL standards suggest the use of about 10% to 20% weight of vehicle is constituted of lightweight plastic and polymer composites to facilitate design flexibility, and enable driver assistance with improved autonomous technology.

- Interior Applications: Dashboards, trims, centre consoles, and instrument panels.
- Exterior Parts: Bumpers, grilles, spoilers, and mirror housings.
- Functional Units: HVAC ducts, fluid reservoirs, connectors, and fuse boxes.

Rubber and Elastomer Components: Rubber materials are essential in vehicle comfort, sealing, and vibration isolation. These parts are generally produced through moulding processes and assembled or finished using robotic systems where precision is needed.

- Applications: Tires, bushings, seals, hoses, belts, engine mounts, and gaskets.

Composite and Advanced Materials: Composites are increasingly used in electric and luxury vehicles for weight reduction and enhanced performance. These materials are often used in combination with robotic systems for forming and assembly due to their precision requirements.

- **Examples:** Carbon fibre body panels, reinforced plastic modules, and hybrid metal-composite structures used in battery enclosures or crash zones.

The auto component industry's material diversity reflects the complex functional needs of modern vehicles. As the sector evolves, especially with the rise of electric vehicles and stricter environmental regulations, the integration of robotics and the use of lighter, more advanced materials will continue to shape its trajectory, ensuring that components are produced with greater precision, scalability, and efficiency than ever before.

Key Manufacturing Processes for Auto Components Manufacturing

Plastic Injection Moulding: Plastic injection moulding is one of the most widely used processes in the automotive industry, especially for producing interior and exterior parts made from polymers. In this process, molten plastic is injected into a pre-designed metal mould at high pressure. Once cooled, the part takes the shape of the mould cavity. This technique is ideal for manufacturing lightweight and high-volume components such as dashboards, bumpers, door panels, and various trims. It offers excellent dimensional accuracy, surface finish, and design flexibility, making it highly suitable for both aesthetic and functional components.

Die Casting: Die casting involves injecting molten metal—typically aluminium, zinc, or magnesium—into a steel mould under high pressure. The process produces complex metal components with high dimensional precision and a smooth finish. Die casting is extensively used for parts such as engine housings, transmission cases, and structural brackets. It enables the mass production of durable, lightweight metal parts that can withstand high mechanical loads while maintaining a compact design.

Forging: Forging is a high-strength manufacturing process where metal is shaped by applying compressive forces, usually with a hammer or press. The metal is typically heated to make it more malleable, then formed into the desired shape using dies. This method is commonly used to manufacture critical components like crankshafts, connecting rods, gears, and axles. Forged parts are known for their superior strength, toughness, and fatigue resistance—qualities that are essential for components subjected to high stress and dynamic loads in vehicles.

Stamping (Sheet Metal Forming): Stamping is a process where flat metal sheets are cut and formed into specific shapes using mechanical or hydraulic presses and dies. It is widely used to produce automotive body panels, structural components, and brackets. Operations such as punching, bending, and embossing can be integrated into a single stamping sequence, enabling high-

speed production of large volumes. Stamping is valued for its efficiency, repeatability, and ability to produce intricate shapes at low per-unit cost.

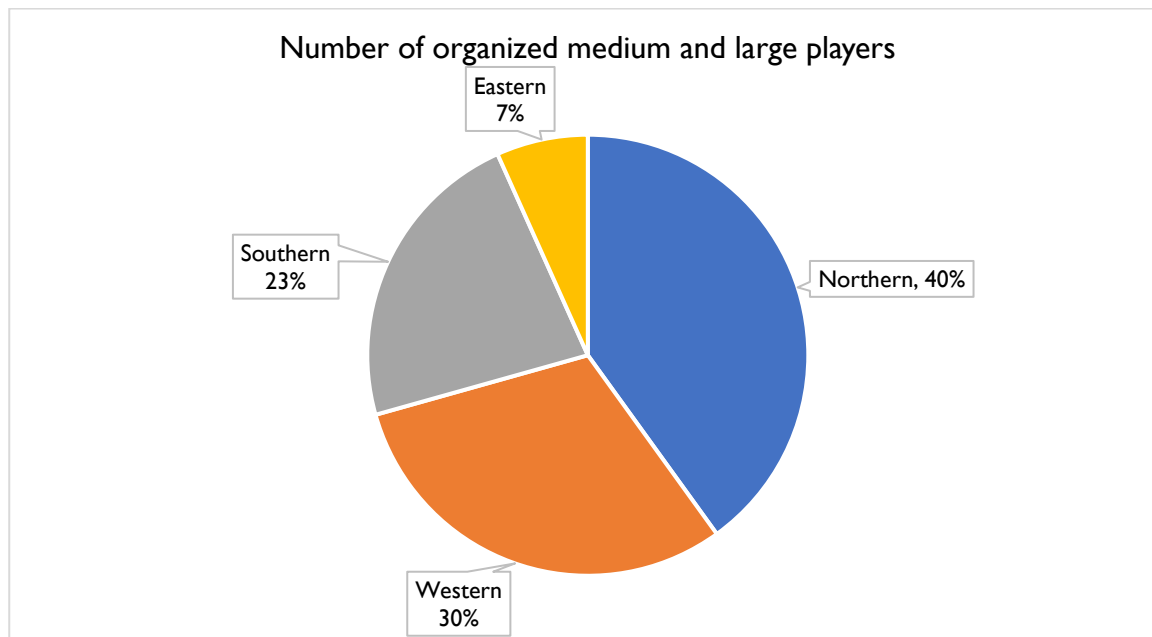
CNC Machining (Computer Numerical Control): CNC machining involves removing material from a workpiece using automated, computer-controlled cutting tools. It is highly precise and suitable for low- to medium-volume production of metal or plastic components. Automotive applications include engine components, brake callipers, steering knuckles, and transmission parts that require tight tolerances and complex geometries. CNC machining is also used for finishing operations where extreme precision and surface quality are critical.

Structure and Regional Distribution¹⁹: The Indian auto component industry is broadly categorized into organized and unorganized segments:

- **Organized Sector:** Comprising around 402 medium and large players, this segment caters primarily to the Original Equipment Manufacturers (OEMs). These firms often benefit from technological tie-ups with global players or collaborations with domestic Automotive Vehicle Manufacturers (AVMs). Located predominantly in Northern, Southern, and Western India, organized players account for over 80% of the OEM component market and approximately 65% of the aftermarket. The organized sector also generates direct employment for nearly 250,000 workers.
- **Unorganized Sector:** Comprising approximately 5,000 small-scale industries (SSIs) and 6,000 ancillary units, this segment mainly serves the aftermarket and replacement demand. While it plays a significant role in regional employment and local supply chains, it lacks the technological sophistication and scale of the organized segment. Employment data for this sector remains undocumented, though it is assumed to be substantial.

¹⁹ Ministry of Science and Technology, Govt. of India

Industry Structure



Source: Ministry of Science and Technology, Govt. of India

The **estimated regional distribution of organized medium and large players in India's auto component industry** highlights a clear spatial concentration of manufacturing capacity around established automotive and industrial corridors. **Northern India accounts for approximately 40% of organized medium and large players, reflecting the strong presence of automotive hubs across the National Capital Region, as well as in Haryana, Uttar Pradesh, and Rajasthan.** These regions benefit from proximity to large passenger vehicle, two-wheeler, and commercial vehicle OEM plants, well-developed vendor ecosystems, and dense logistics networks, which collectively support scale-oriented and system-level component manufacturing. The concentration in the North also reflects early industrialization of auto ancillary activity around OEM-led clusters and sustained investment in tooling, machining, and engineering-intensive components.

Western India hosts around 31% of organized players, driven primarily by Maharashtra and Gujarat, which have emerged as key automotive and auto component manufacturing centers. The region's share is supported by strong export orientation, access to ports, and a high concentration of Tier-I suppliers catering to passenger vehicles, commercial vehicles, and tractors. **Southern India accounts for roughly 23% of organized medium and large players, anchored by Tamil Nadu, Karnataka, and Andhra Pradesh, where well-established automotive ecosystems, skilled manpower availability, and a strong supplier base for both ICE and EV components are present.** In contrast, **Eastern India represents about 7% of organized players, reflecting relatively lower historical automotive investment, although the region continues to see gradual capacity additions linked to industrial corridors, logistics improvements, and selective OEM expansion.**

Key Component Category and End-User Applications

The auto component industry in India caters to a wide range of **key component categories**, broadly spanning powertrain, chassis and suspension, braking and steering systems, electrical and electronic components, body and interior parts, safety systems, and emerging electric vehicle (EV)–specific components. Powertrain-related components, including engine parts, transmission systems, exhaust systems, and fuel management components, continue to account for a significant share of value addition, particularly in internal combustion engine (ICE) vehicles. Chassis, suspension, braking, and steering components form another critical category, driven by regulatory requirements around safety, durability, and ride comfort. Electrical and electronic components have gained increasing prominence due to rising electronic content per vehicle, encompassing wiring harnesses, sensors, control units, infotainment systems, and lighting solutions. In parallel, EV-related components, including electric motors, power electronics, battery management systems, thermal management solutions, and lightweight structural parts, are emerging as high-growth categories, gradually reshaping the industry's product mix.

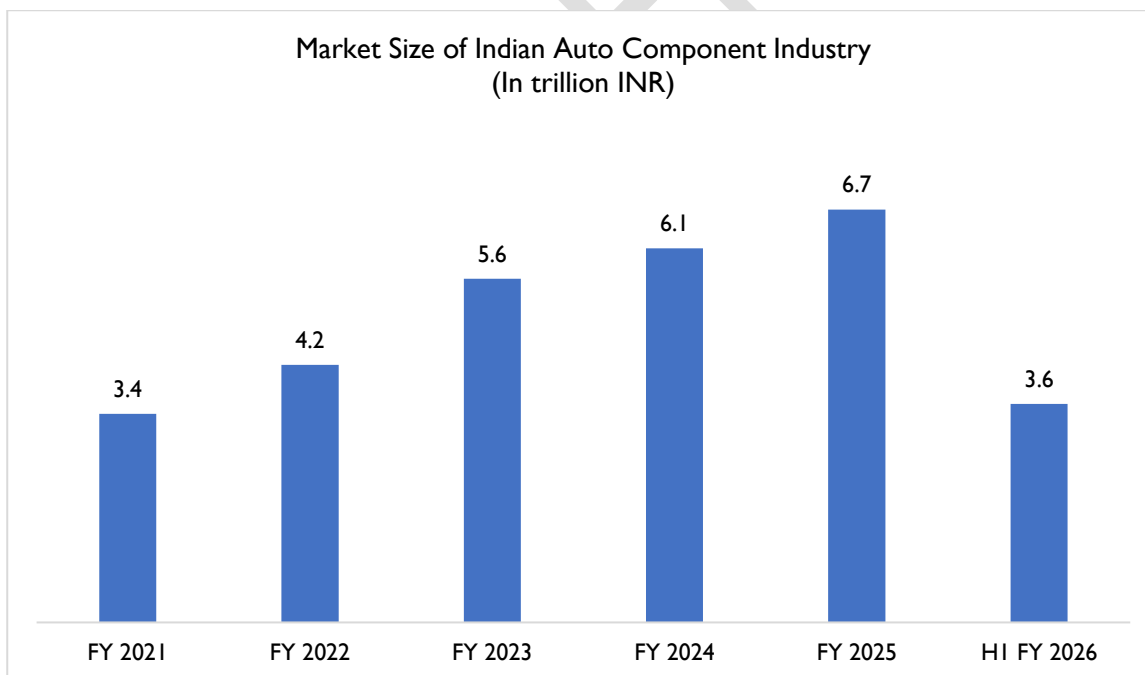
From an **end-user application** perspective, demand for auto components is closely linked to vehicle production across passenger vehicles, two-wheelers, three-wheelers, commercial vehicles, tractors, and off-highway equipment. Two-wheelers and passenger vehicles dominate volume demand, supporting high-scale production of standardized and modular components, while commercial vehicles, tractors, and off-highway equipment contribute higher value per unit due to more robust and complex component requirements. In addition to OEM demand, the aftermarket represents a structurally important application segment, driven by India's large vehicle parc, high vehicle utilization, and regular replacement cycles for wear-and-tear components such as brakes, suspension parts, filters, and electrical items. The growing penetration of EVs and stricter safety and emission regulations are gradually shifting end-user demand toward more technology-intensive, electronically integrated, and higher-value components across vehicle segments.

Component Category	Key Products	End-User Applications
Engine & Powertrain	Engine blocks, crankshafts, pistons, turbochargers, gearboxes	Internal combustion engines, hybrid systems, transmission assemblies
Chassis & Suspension	Axles, suspension arms, control arms, knuckles, shock absorbers	Vehicle structural integrity, ride comfort, road handling and stability
Electrical & Electronics	Wiring harnesses, ECUs, sensors, battery management systems	Electric vehicles, infotainment systems, ADAS, and power distribution
Body & Structural Parts	Doors, bumpers, hoods, body panels, roof frames	Exterior vehicle structure, crash safety, design and aesthetics
Braking System	Brake discs, pads, callipers, ABS components	Vehicle safety, stopping distance reduction, and brake control systems
Interior Components	Dashboards, infotainment consoles, HVAC units, seats, trims	Cabin ergonomics, passenger comfort, control and convenience features
Exhaust & Emission Parts	Mufflers, catalytic converters, and exhaust manifolds	Emission control, noise reduction, and compliance with environmental regulations
Steering System	Steering wheels, columns, racks and pinions	Vehicle manoeuvrability, driver control, steering responsiveness
Lighting & Signalling	Headlamps, tail lights, turn indicators, fog lights	Road visibility, signalling, vehicle safety and compliance
Cooling & Thermal Management	Radiators, intercoolers, cooling fans, heat exchangers	Engine cooling, battery thermal management, and power electronics protection
EV-Specific Components	Electric motors, inverters, onboard chargers, DC-DC converters	Electric drivetrains, energy conversion, EV propulsion systems
Off-Highway & CV Components	Heavy-duty axles, frames, and hydraulic components	Trucks, buses, tractors, construction and agricultural equipment
Safety Systems	Airbags, seatbelts, crash sensors, and electronic stability control modules	Occupant protection, active and passive vehicle safety
Aftermarket Components	Filters, brake pads, clutches, belts, bearings	Vehicle maintenance, replacement demand, lifecycle support

Indian Auto Component Industry - Market Size

India's auto component industry has evolved into a critical pillar of the country's automotive ecosystem, exhibiting a consistent growth trend over the past five years. The market includes supplies to domestic vehicle manufacturers (OEMs), the thriving aftersales/replacement segment, and a growing share of international trade, both exports and imports. After a temporary setback in FY 2021 due to the pandemic, the industry has demonstrated strong recovery and expansion, driven by rising vehicle production, increased localization, growing vehicle parc, and India's emergence as a preferred global sourcing hub.

For FY 2023 - FY2024, India's auto component industry witnessed a 9.8% growth, reaching a market size of INR 6.1 trillion, and is projected to expand further to INR 6.7 trillion in FY 2025. This growth is being driven by a strong performance across domestic OEM supplies, exports, and the aftermarket. While the industry is gradually transitioning towards electric and clean fuel vehicles, the dominance of internal combustion engine (ICE)-based platforms is expected to persist in the near to mid-term. To stay competitive and meet shifting market demands, the industry is increasingly focusing on manufacturing flexibility, modular design capabilities, and greater emphasis on innovation and customization.



Source: ACMA, Industry Sources

Note: ACMA has not yet released its full-year FY2025-26 Industry Performance Review. Accordingly, HI FY2026 turnover of INR **3.56 trillion has been retained as the latest available industry-size figure. The full-year FY2026 figure will be updated once released by ACMA.*

The Indian auto component market was valued at **INR 3.4 trillion in FY 2021**, reflecting the impact of pandemic-led disruptions on automotive production, supply chains, and vehicle demand. From **FY 2022 onwards**, the sector entered a strong recovery phase, with market size increasing

to **INR 4.2 trillion in FY 2022** and accelerating to **INR 5.6 trillion in FY 2023**, supported by higher domestic OEM production, a rebound in replacement demand in the aftermarket, and improved export performance.

This upward trajectory continued through **FY 2024**, with the market expanding to **INR 6.1 trillion**, and further to **INR 6.7 trillion in FY 2025**, reflecting rising value addition per vehicle, increased electronic content, regulatory-driven component upgrades, and capacity expansion across organized players. Over the period from **FY 2021 to FY 2025**, the increase in industry turnover translates into a **Compound Annual Growth Rate (CAGR) of approximately 18–19%**, highlighting the pace at which the sector scaled during the post-pandemic phase.

In the current fiscal year, the industry recorded a turnover of **INR 3.56 trillion in H1 FY 2026**, compared with **INR 3.33 trillion in H1 FY 2025**, representing a **year-on-year growth of 6.8%**. This half-year performance aligns with steady vehicle production levels, resilient aftermarket activity, and continued export demand, indicating the persistence of growth momentum into FY 2026.

The market structure comprises three major segments:

- **Domestic OEM supply**

Domestic OEM supply forms the largest and most critical segment of the Indian auto component market. Sales to OEMs expanded from **INR 3.02 lakh crore in FY20 to INR 5.70 lakh crore in FY25**, registering a strong **CAGR of 13.4%**. Growth has been driven by higher vehicle production, deeper localization, and a steady rise in component value per vehicle. Regulatory interventions such as **BS-VI emission norms, enhanced safety requirements, and rising electronic and sensor content** have structurally increased sourcing intensity across passenger vehicles, two-wheelers, commercial vehicles, and tractors, reinforcing OEM demand as the primary driver of industry turnover.

- **After-sales/replacement market**

The aftermarket represents a stable and recurring demand segment within the auto component market. Turnover increased from **INR 0.69 lakh crore in FY20 to INR 0.99 lakh crore in FY25**, translating into a **CAGR of 7.45%**. Demand is supported by India's expanding and ageing vehicle parc, high vehicle utilisation levels, and periodic replacement requirements for wear-and-tear components such as brakes, suspension systems, filters, electrical parts, and consumables. The segment benefits from relatively lower cyclicalities compared to OEM-linked demand.

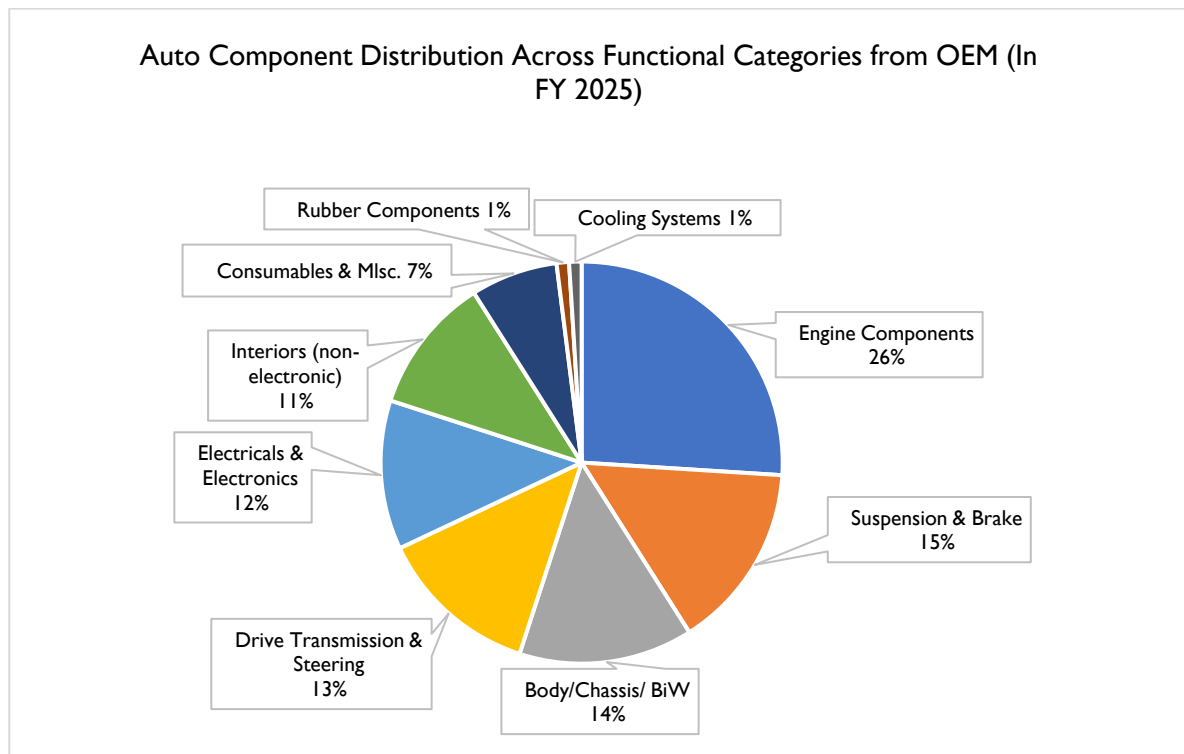
- **External trade**

External trade has emerged as an increasingly important component of the market structure, reflecting India's growing role in global automotive supply chains. Auto component exports rose from **INR 1.02 lakh crore in FY20 to INR 1.92 lakh crore in FY25**, recording a **CAGR of 13.4%**, supported by cost competitiveness, improving quality standards, and demand from North America, Europe, and Asia. At the same time, imports increased from **INR 1.09 lakh crore in FY20 to INR 1.88 lakh crore in FY25**, growing at a **CAGR of 11.4%**, indicating continued dependence on high-precision, electronics-intensive, and technology-driven components.

Growth is further supported by trends such as electrification, localization under government incentives like the PLI scheme, and the rising integration of electronics and software in modern vehicles. As India deepens its manufacturing and engineering capabilities, the auto component industry is expected to play an increasingly strategic role in the country's economic and export trajectory.

Market Segmentation

Auto Component Distribution Across Functional Categories



Source: ACMA, Annual Report FY 2025

Note: ACMA has subsequently released its HI FY2025-26 Industry Performance Review; however, it does not provide an updated functional-category distribution. Accordingly, the FY2025 data has been retained. The data will be updated once ACMA releases the corresponding full-year category-wise data.

In **FY 2025**, the Indian auto component industry's output was concentrated across a diversified set of functional categories, reflecting both the legacy dominance of internal combustion engine (ICE) platforms and the gradual shift toward higher electronic and system-level content. **Engine components accounted for the largest share at 26%**, underscoring the continued relevance of ICE-related parts such as engine blocks, pistons, crankshafts, and fuel system components across passenger vehicles, two-wheelers, and commercial vehicles, despite increasing electrification trends.

Suspension and brake components constituted around 15% of the industry's output, driven by regulatory focus on vehicle safety, durability, and ride quality. Demand for braking systems, axles, and suspension assemblies has been supported by stricter safety mandates and higher replacement cycles. **Body, chassis, and body-in-white (BiW) components accounted for approximately 14%**, reflecting sustained demand for structural parts linked to vehicle production volumes, platform upgrades, and lightweighting initiatives.

Drive transmission and steering components represented about 13% of industry output, supported by demand for gearboxes, drive shafts, differentials, and steering systems across vehicle

categories. **Electricals and electronics contributed around 12%**, highlighting the steady rise in electronic content per vehicle, including wiring harnesses, sensors, control units, and lighting systems, even as advanced electronics remain an area of selective import dependence.

Interior components (non-electronic) accounted for nearly 11%, driven by growing emphasis on cabin comfort, aesthetics, and feature differentiation, particularly in passenger vehicles. **Consumables and miscellaneous components formed about 7%** of the market, reflecting steady replacement demand for filters, belts, bearings, and other wear-and-tear items. Smaller categories, such as **rubber components and cooling systems, each accounted for around 1%**, indicating their niche but essential role within the overall component ecosystem.

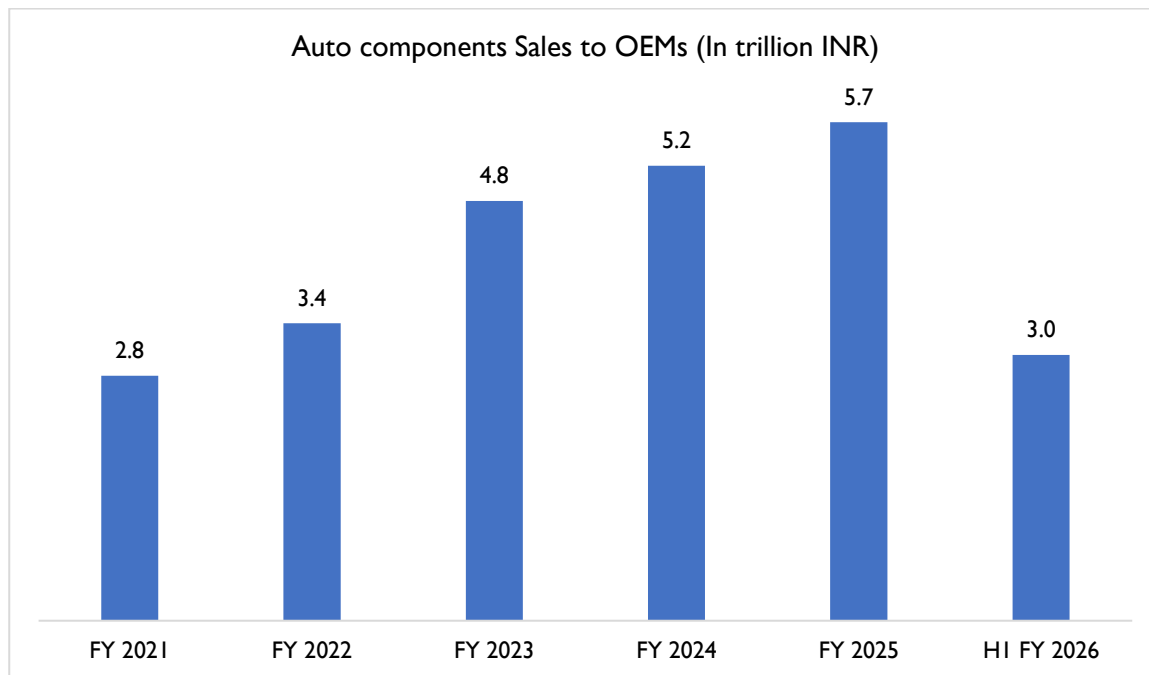
The use of plastic injection moulding in these areas supports the industry's focus on light-weighting, modular design, and cost efficiency, especially in the context of increasing electric vehicle adoption and the shift toward higher performance and design flexibility in auto components. The plastic injection moulding market in India's auto component sector is poised for strong growth, driven by rising EV adoption, vehicle light-weighting, and increasing demand for high-precision interior and electronic parts. With supportive policies and export momentum, its share is expected to expand steadily through 2030.

India Plastic Processing Industry

India's plastic processing industry is poised for remarkable growth, with the market size expected to more than triple from the current INR 3.5 trillion to INR 10 trillion by FY 2028.²⁰ This surge reflects the sector's robust annual growth rate of 10-15%, driven by rising domestic demand and increasing global competitiveness. The industry, which currently contributes significantly to the national GDP, comprises around 30,000 processing units employing technologies such as injection moulding, blow moulding, extrusion, and calendaring to produce a diverse range of plastic products. In parallel with domestic expansion, exports are also gaining momentum, projected to rise from INR 0.4 trillion to INR 0.01 trillion, reinforcing India's potential to become a global hub for plastic manufacturing and supply.

²⁰ All-India Plastics Manufacturers' Association

Domestic Auto Component Sales (OEM)



Source: ACMA report 2025, Industry report

Note: ACMA has not yet released its full-year FY2025-26 Industry Performance Review. Therefore, H1 FY2026 sales to OEMs of INR 3.04 trillion is retained as the latest available figure. The FY2026 full-year figure will be updated upon release of ACMA's annual industry performance review.

Domestic auto component sales to **Original Equipment Manufacturers (OEMs)** in India have exhibited a strong and consistent upward trajectory over the last five years, mirroring the recovery and expansion of the domestic automotive manufacturing sector. Sales stood at **INR 2.8 trillion in FY 2021**, reflecting the lingering impact of the COVID-19 pandemic, which disrupted vehicle production schedules, led to intermittent plant shutdowns, and suppressed demand across key vehicle segments.

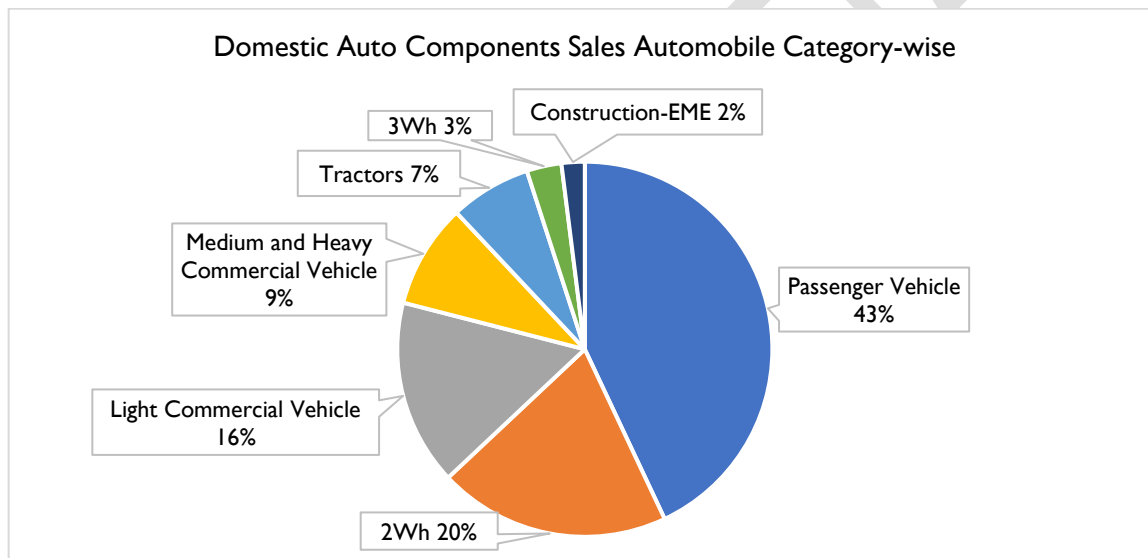
The sector rebounded decisively in **FY 2022**, with OEM-linked component sales increasing to **INR 3.4 trillion**, supported by normalization of production activity and OEM efforts to address pent-up demand. This recovery strengthened further in **FY 2023**, as sales rose sharply to **INR 4.8 trillion**, driven by broad-based growth across passenger vehicles, commercial vehicles, and two-wheelers. Improved consumer sentiment, revival in both rural and urban demand, and the implementation of stricter regulatory requirements, such as **BS-VI Phase II emission norms and enhanced safety mandates**, resulted in higher component value per vehicle, thereby boosting sourcing from domestic suppliers.

In **FY 2024**, domestic OEM sales increased further to **INR 5.2 trillion**, supported by sustained vehicle production volumes, rising penetration of electronics and electrified components, and increased localization of parts under government initiatives such as the **Production Linked Incentive (PLI) scheme**. OEMs also intensified domestic sourcing to reduce exposure to global

supply chain disruptions, contributing to higher offtake from Indian component manufacturers. This momentum continued into **FY 2025**, with sales to OEMs reaching **INR 5.7 trillion**, reinforcing the segment's position as the largest contributor to overall industry turnover.

In the ongoing fiscal year, OEM-linked auto component sales reached **INR 3.0 trillion in H1 FY 2026**, compared with **INR 2.84 trillion in H1 FY 2025**, translating into a **year-on-year growth of 7.3%**, supported by steady production schedules, stable demand across vehicle categories, and a continued increase in component content per vehicle. Over the period from **FY 2021 to FY 2025**, domestic sales to OEMs expanded at a **compound annual growth rate (CAGR) of approximately 13.4%**, reflecting the pace of post-pandemic recovery and the sustained scale-up in OEM sourcing from the domestic auto component industry.

The graph below indicates the sales of the domestic auto components category-wise:



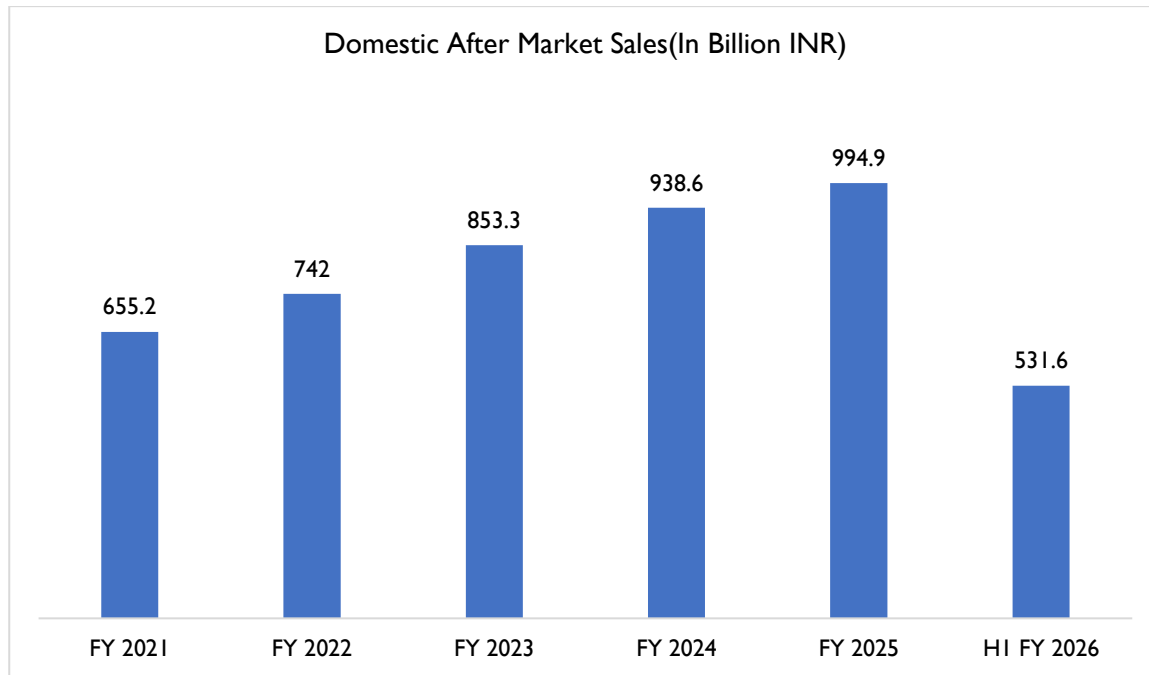
Source: ACMA, annual report FY 2025

In FY 2024, the distribution of domestic auto component sales across automobile categories in India reflects the structural dominance of the passenger vehicle (PV) segment, which accounted for 43% of the total component demand from OEMs. This strong share underscores the continued expansion of passenger vehicle production, driven by rising urban middle-class demand, premiumization trends, and increasing feature content per vehicle, especially in safety, comfort, and connectivity systems.

The two-wheeler (2W) segment followed with a significant 20% share, supported by India's large and growing base of commuter motorcycles and scooters, as well as recovery in rural and semi-urban markets. Light commercial vehicles (LCVs) constituted 16% of component demand, benefiting from the growth of last-mile delivery services, e-commerce logistics, and intra-city goods transport. Medium and heavy commercial vehicles (MHCVs) made up 9%, reflecting an ongoing recovery in infrastructure activity, freight movement, and industrial output.

Other segments include tractors at 7%, driven by moderate growth in the agricultural sector and increasing mechanization, while three-wheelers (3W) held a 3% share, with rising penetration of electric variants contributing to component demand. The construction equipment and earth-moving machinery (EME) category remained a niche contributor at 2%, although demand is expected to rise in tandem with infrastructure investments under the National Infrastructure Pipeline.

Domestic Auto Component Sales (After Market)



Source: ACMA Annual Report 2025, ACMA Press Release, Industry Reports

The domestic aftermarket sales for auto components in India have shown a generally positive trajectory over the past five years, underscoring their critical role in sustaining overall industry growth. Aftermarket sales declined from **INR 693.9 billion in FY 2020** to **INR 655.2 billion in FY 2021**, primarily due to the disruptions caused by the COVID-19 pandemic. Lockdowns, restricted vehicle movement, and lower road usage reduced wear and tear on vehicles, dampening demand for replacement parts and repair services during the period.

As economic activity normalized, aftermarket sales recovered steadily, rising to **INR 742.0 billion in FY 2022** and further to **INR 853.3 billion in FY 2023**, reflecting a resurgence in maintenance, repair, and replacement activity. This recovery was driven by higher vehicle utilization, expansion of the vehicle parc, and an increase in the average age of vehicles, which structurally supports demand for spare parts. The largely unorganized and semi-organized nature of the Indian aftermarket has also supported accessibility and affordability, particularly in **Tier 2 and Tier 3 cities**, reinforcing consumption volumes.

The upward trend continued in **FY 2024**, with aftermarket sales increasing to **INR 938.6 billion**, followed by a further rise to **INR 994.9 billion in FY 2025**, supported by sustained vehicle usage across urban and rural markets. In the ongoing fiscal year, aftermarket turnover stood at **INR 531.6 billion in H1 FY 2026**, indicating continued demand momentum over the first half of the year.

The aftermarket segment provides a recurring and relatively stable revenue stream for the auto component industry, supported by regular replacement cycles, growing penetration of fleet and shared mobility services, and increasing awareness of preventive maintenance. In parallel, rising vehicle complexity is driving a gradual shift toward branded, quality-certified components, digital spare-part platforms, and more organized service networks within the aftermarket ecosystem.

Shift Toward Electric Mobility Vehicles

The shift toward **electric vehicles (EVs)** is emerging as a key structural theme in the Indian auto component market, transforming demand patterns and creating new avenues for industry growth. According to **Vahan Portal data for 2025**, India's EV market reported **about 2.3 million EV sales, accounting for roughly 8 % of all new vehicle registrations in 2025**, a substantial milestone given the magnitude of the overall passenger and commercial vehicle market.

This growth has been driven by rapid adoption in **two-wheelers and three-wheelers**, which together comprise the majority of EV volumes in 2025. Electric two-wheelers led the EV segment with approximately **1.28 million units sold**, supported by urban and peri-urban adoption trends and rising interest from delivery fleets and last-mile mobility operators. Electric three-wheelers also recorded strong numbers, reflecting accelerated electrification in the urban public mobility and goods carriage segments.

Within the broader vehicle ecosystem, **electric passenger vehicles (4Ws)** are beginning to scale from a lower base, with annual sales crossing significant sub-milestones in 2025. While still a smaller share relative to two- and three-wheelers, EV passenger cars are gaining traction as charging infrastructure improves and OEMs launch more competitively priced models.

For the auto component industry, this shift towards EVs is expanding the **value pool and altering the product mix**. Traditional mechanical components associated with internal combustion engines, such as pistons, crankshafts, and exhaust systems, remain significant in absolute volume due to the ongoing dominance of ICE vehicles. However, electrification has brought **new content categories to the forefront**, including:

- **Electric motors, inverters, and traction systems**
- **Power electronics and battery management systems (BMS)**
- **Thermal management systems for batteries and power modules**

- **Advanced wiring harnesses, sensors, and microcontrollers**

These EV-specific systems often command **higher value per vehicle** compared to many legacy mechanical parts, expanding the overall component value pool even as some traditional categories moderate. The rise of electronics and software-enabled components further deepens the technical complexity of the supply base and increases the opportunity for suppliers with capabilities in high-precision manufacturing, embedded systems, and power electronics.

The EV transition is also enhancing **export potential**, as global OEMs and Tier-I suppliers increasingly source EV sub-systems from markets with competitive cost structures and improving quality standards, such as India. At the same time, the electrification trend is prompting domestic suppliers to invest in new technologies, adapt production lines, and form partnerships with battery makers, inverter manufacturers, and software developers — further integrating the Indian auto component ecosystem with both domestic OEM roadmaps and global EV value chains.

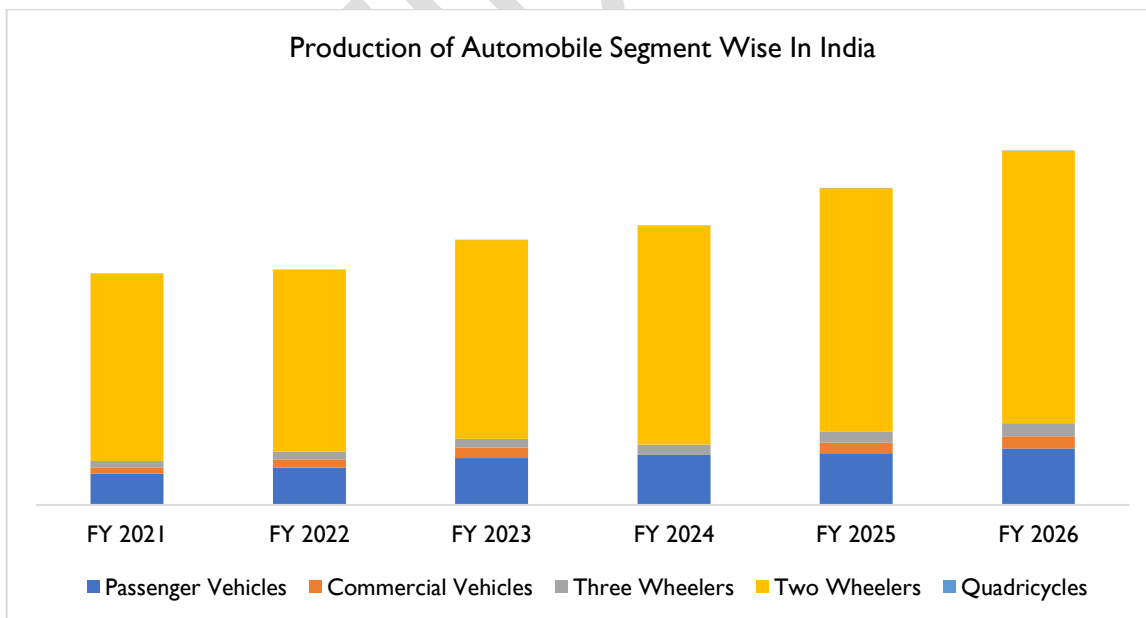
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Demand Scenario

Growth in the Automobile Sector

India's automobile industry has shown a strong and sustained growth trajectory over the last few years, emerging as a major pillar of the nation's manufacturing and economic landscape. This expansion is not only indicative of rising consumer demand and mobility penetration across urban and rural regions but also underscores the strategic importance of the auto sector in driving ancillary industries, most notably the auto component manufacturing ecosystem. The increase in vehicle production volumes across all major segments, passenger vehicles, commercial vehicles, two-wheelers, three-wheelers, and quadricycles, directly correlates with increased demand for a broad range of components, from powertrain systems and electronics to plastics, rubber parts, and advanced safety modules.

Several factors have contributed to this upward trend. The gradual economic recovery post-COVID, improved infrastructure, favourable government policies such as the Production Linked Incentive (PLI) schemes, and rising aspirations of a growing middle class have all contributed to strong demand for automobiles. Additionally, the acceleration in electric vehicle (EV) adoption, resurgence in fleet modernization, and sustained rural mobility demand are reinforcing production growth. As a result, the auto component sector is experiencing a significant uptick in both capacity utilization and new investments to meet the evolving needs of OEMs.



Source: Society of Indian Automobile Manufacturers (SIAM)

Category	Unit Production In	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Passenger Vehicles	Thousands	3,062.28	3,650.70	4,587.12	4,901.84	5,061.16	5,539.12
Commercial Vehicles	Thousands	624.94	805.53	1,035.63	1,067.50	1,032.65	1,170.15
Three Wheelers	Thousands	614.61	758.67	855.70	996.16	1,050.02	1,300.81
Two Wheelers	Thousands	18,349.94	17,821.11	19,459.01	21,468.53	23,883.86	26,691.92
Quadricycles	Thousands	3.84	4.06	2.89	5.01	6.48	7.00
Grand Total	Thousands	22,655.61	23,040.07	25,940.34	28,439.04	31,034.17	34,708.98

Source: Society of Indian Automobile Manufacturers (SIAM)

As illustrated above, total vehicle production in India is projected to grow from 2.26 crore units in FY 2021 to over 3.47 crore units by FY 2026, representing a compound annual growth rate (CAGR) of over 8%. Passenger vehicles have expanded from 30.6 lakh units in FY 2021 to over 55.39 lakh units in FY 2026, driven by rising urban demand, SUV popularity, and a strong export base. The two-wheeler segment, which commands the largest volume share, is forecasted to grow from 1.83 crore to nearly 2.67 crore units over the same period, signalling recovery in rural markets and increased affordability. Commercial vehicles and three-wheelers have also posted strong recoveries, reflecting renewed economic activity and growth in last-mile connectivity.

This growth is directly fuelling demand across multiple component categories, particularly in areas like engine parts, driveline systems, suspensions, electronics, rubber and plastic mouldings, and thermal systems. Moreover, the rising complexity and technological sophistication of vehicles, including the shift toward hybrid and electric drivetrains, are leading to higher component content per vehicle, thus expanding the market for high-value parts.

Going forward, the Indian automobile sector is poised to remain a key engine of industrial growth. Its expansion will continue to drive significant opportunities for component manufacturers across the value chain, including Tier I, II, and III suppliers. Companies that invest in capacity augmentation, quality enhancement, and technological capabilities, especially in areas like plastic moulding, lightweight materials, and EV-centric components, stand to benefit substantially from the sustained momentum in vehicle production and the broader mobility transformation underway in India.

Rising Demand for Plastic Moulding and Lightweighting

The automotive industry is undergoing a fundamental transformation toward lightweight vehicle design, driven by the dual imperatives of improving fuel efficiency and meeting stringent emission standards in internal combustion engine (ICE) vehicles, as well as extending range and performance

in electric vehicles (EVs). In response, original equipment manufacturers (OEMs) are increasingly replacing conventional metal components with advanced plastics and polymer composites across multiple vehicle systems.

Plastic moulding technologies, including injection moulding, blow moulding, and thermoforming, are playing a pivotal role in this transition. These techniques are widely employed to manufacture a diverse range of components such as instrument panels, door trims, bumpers, dashboard assemblies, HVAC ducts, intake manifolds, engine covers, battery enclosures, fender liners, wheel arches, and various aesthetic elements. The use of plastic materials offers compelling advantages: substantial weight savings, resistance to corrosion, design flexibility, and cost-efficiency in high-volume production.

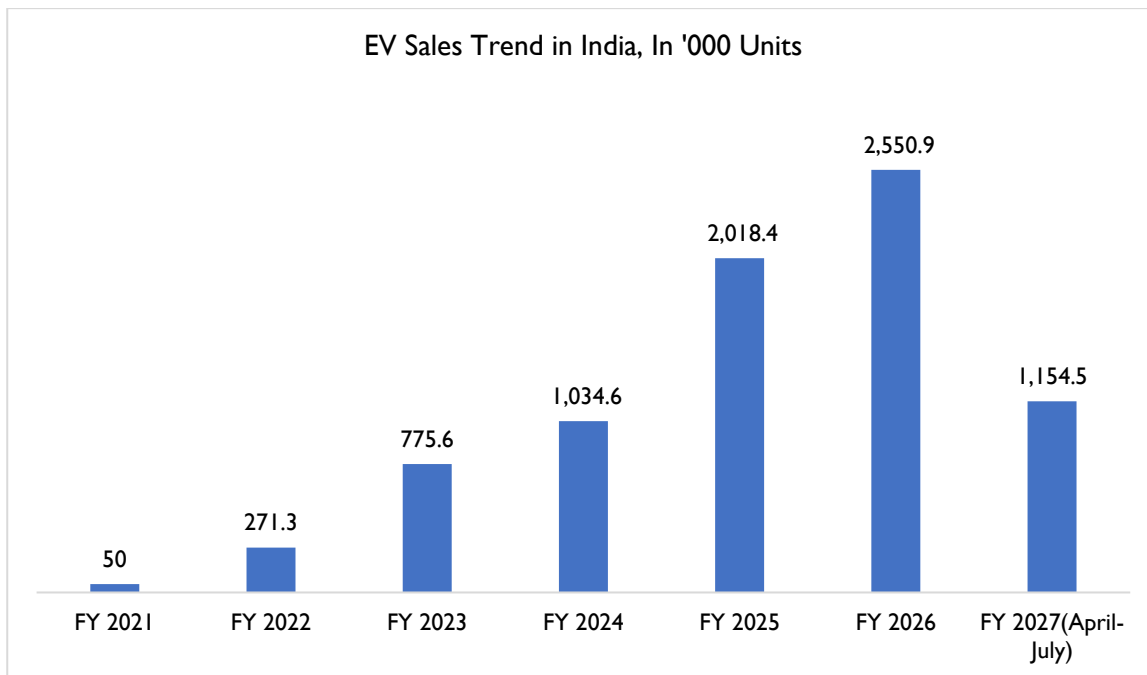
In the EV segment in particular, where battery weight and space optimization are critical, the use of engineered plastics is gaining prominence in areas such as under-the-hood components, battery housings, thermal management systems, and modular enclosures for power electronics. This shift is further supported by the growing focus on aerodynamic efficiency and modular vehicle platforms, which require complex, lightweight, and seamlessly integrated parts—features ideally suited for plastic moulding.

In India, the trend is gaining further momentum due to regulatory initiatives such as Corporate Average Fuel Economy (CAFE) norms and the rising penetration of EVs and SUVs, both of which rely heavily on moulded plastic parts for interiors, exterior panels, and structural subassemblies. In response, Tier-1 and Tier-2 component suppliers are investing in advanced tooling, multi-material integration, and innovative resin technologies to align with OEM requirements and future-ready vehicle platforms.

This transition toward plastic moulding is not merely a response to material substitution but represents a deeper structural shift aligned with the automotive industry's long-term goals of sustainability, performance, and cost optimization. As such, it stands out as a key demand driver for the auto component industry, creating new opportunities across the value chain for manufacturers equipped to deliver lightweight, high-performance, and design-rich solutions.

Shift Toward Electrification (EV Adoption)

Electric vehicles require specialized auto components such as battery packs, electric motors, power electronics, thermal management systems, and high-voltage wiring harnesses. Additionally, EVs use lightweight plastic-moulded parts for enclosures, interior trims, and aerodynamic body components to enhance efficiency.



Source: Society of Manufacturers of Electric Vehicles (SMEV), Ev Reporter January Magazine

The exponential growth in electric vehicle (EV) sales in India is emerging as a transformative force for the auto component industry. From just 50,000 units in FY 2021, domestic EV sales surged to over 2.0 million units by FY 2025 and further increased to approximately 2.55 million units in FY 2026, marking a steep and sustained upward trajectory. In the first four months of FY 2027 (April–July 2026), domestic EV sales reached approximately 1.15 million units, indicating that the strong adoption momentum has continued into the current fiscal year. This momentum is expected to continue in the coming years, driven by supportive government policies, improvements in charging infrastructure, rising fuel costs, and increasing consumer acceptance across the two-wheeler, three-wheeler, and passenger vehicle segments.

This surge in EV adoption is significantly reshaping the component landscape, as electric vehicles require a different set of critical parts compared to conventional internal combustion engine (ICE) vehicles. Demand is rising sharply for specialized components such as battery packs, thermal management systems, electric motors, power electronics, lightweight enclosures, regenerative braking systems, high-voltage connectors, and advanced electronics. Additionally, the emphasis on lightweighting to maximise battery efficiency is driving greater use of plastic-moulded and composite parts, particularly for structural and aesthetic applications.

As OEMs and Tier-I suppliers localize EV production and expand their electric portfolios, the auto component industry is presented with a long-term opportunity for growth and innovation. Suppliers who are agile and capable of adapting to new product specifications, technologies, and materials are well-positioned to benefit from this shift. In essence, the rapid rise in EV sales is not

only a sign of changing consumer demand, but it is a structural demand driver that will define the next phase of growth for the auto component industry in India.

Demographic Dividend

India's massive population of approximately 1.46 billion, combined with its favourable demographic profile, is set to play a pivotal role in driving demand for the auto component industry. More than two-thirds of the population, around 68%, falls within the working-age group of 15 to 64 years, and with a projected median age of just 31 by 2030, India will continue to be one of the youngest nations globally.²¹ This large, economically active, and aspirational demographic is expected to fuel rising demand for personal mobility, leading to increased vehicle ownership across segments, from two-wheelers to passenger cars and commercial vehicles. As incomes rise and urbanization expands, the demand for both conventional and electric vehicles will accelerate, creating a strong downstream demand for auto components such as engines, powertrains, electronics, braking systems, and EV-specific parts. Moreover, with India projected to achieve annual electric vehicle sales of 10 million units by 2030 and policy support aimed at reducing import dependence, domestic component manufacturers stand to benefit significantly from this demographic-driven growth trajectory.

India's Cost Advantage and Evolving Ecosystem

The Indian auto component industry has emerged as a global manufacturing and sourcing hub, driven by a significant cost advantage and continuous improvements in quality and technology. Compared to regions like Europe, North America, and Latin America, India offers 10% to 25% lower manufacturing costs, a key differentiator that initially positioned the country as a competitive exporter of auto components. Over time, this cost-benefit has been complemented by strategic investments in advanced manufacturing technologies, process optimization, and a robust pool of skilled labour supported by a strong educational infrastructure. These factors have collectively enabled Indian suppliers to meet stringent global quality standards, leading all major global automotive OEMs to establish procurement operations in India and integrate local suppliers into their global value chains.

Today, nearly 25% of India's auto component production is exported, reflecting the global trust in the country's manufacturing capabilities. Domestically, the rapid rise in automobile sales has further boosted component demand. Economic reforms, rising income levels, urbanization, and the expansion of jobs in the service and industrial sectors have all contributed to higher vehicle ownership. Additionally, evolving aspirations, lifestyle changes, and improved access to financing

²¹ Invest India

have made automobiles more accessible to a larger population. This dual growth, expanding export potential, and a thriving domestic market continue to drive robust demand across India's auto component industry.

Robust Policy Support

The Indian auto component industry continues to benefit from **strong and targeted policy support in FY 2025–26**, with the government's focus increasingly centred on technology adoption, localization, and electric mobility. Following the conclusion of the FAME-II scheme, the Government of India introduced the **PM E-DRIVE scheme in FY 2025**, with a total outlay of **INR 10,900 crore**, aimed at accelerating EV adoption across two-wheelers, three-wheelers, e-buses, and charging infrastructure. This shift toward a more structured and ecosystem-driven incentive framework is supporting sustained demand for EV-related auto components such as electric drivetrains, power electronics, battery management systems, and thermal solutions. In parallel, the policy allowing **100% Foreign Direct Investment (FDI) under the automatic route** remains in place, enabling global OEMs and Tier-I suppliers to expand manufacturing, R&D, and sourcing operations in India.

A key pillar of policy support remains the **Production Linked Incentive (PLI) Scheme for Automobile and Auto Components**, implemented under the Department of Heavy Industries with a total outlay of **INR 25,938 crore**. The scheme is designed to promote domestic manufacturing of advanced automotive technologies, including EV components, safety systems, hydrogen-based technologies, and high-value electronics, and continues to drive committed capital expenditure, localization, and technology partnerships in FY 2025–26. Alongside this, the operationalization of the **Bharat New Car Assessment Programme (BNCAP)** is raising vehicle safety benchmarks, structurally increasing demand for safety-critical components such as airbags, braking systems, sensors, electronic control units, and structural modules. Collectively, these measures are strengthening the depth and sophistication of the auto component value chain while supporting India's positioning as a competitive manufacturing and sourcing base for next-generation automotive technologies.

Key Demand Drivers

- **Growing domestic landscape** – India's large and young population, along with rising disposable income and urbanisation is creating a strong demand for both new and used, EV and manual vehicles. This is particularly evident in the passenger vehicle segment of the industry. A growing working population and an expanding middle class are expected to continue pushing the demands.
- **Regulatory Push** – Schemes like the Production Linked Incentives (PLI) Scheme for the automobile and the Auto Component Industry, along with the Faster Adoption & Manufacture of (Hybrid &) Electric Vehicles (FAME) Scheme, are encouraging the domestic demand and are facilitating towards its acceleration in revolutionizing to electric mobility and light weight vehicles in passage segment of auto motive industry. This is creating a new demand for advanced components.
- **Aftermarket Demands-** With an increasing demand for vehicles on the road, there is a parallel demand generating in the aftermarket segments regarding spare components, maintenance of vehicles on the road and used or damaged vehicles. This segment over the years is becoming more organized as India is emerging as a global auto component sourcing hub due to its proximity to key automotive markets such as ASEAN, Europe, Japan and Korea, after enjoying its positioning as the 2nd largest steel producer globally.
- **Sustainability Push-** Government regulations such as CAFE - Corporate Average Fuel Efficiency – are pushing manufacturers to not only opt for more models in the green segment but also to delve into alternative fuel options beyond EVs, such as hybrid, CNG, and flexi-fuels. Initiatives like Sustainable Alternative Towards Affordable Transportation (SATAT), The National Electric Mobility Mission Plan (NEMMP) 2020, The Production Linked Incentive scheme under the National Programme on Advanced Chemistry Cell (ACC) Battery Storage schemes have acted as the green framework guidelines. These initiatives include imposing stricter regulations on conventional single-fuel vehicles and offering incentives to encourage the adoption of alternative, eco-friendly vehicles and fuels.

Advantages for the Indian Auto Component Industry

India possesses several key advantages that make it an attractive hub for the auto components industry, primarily driven by its strong domestic market, strategic location and vast skilled workforce. As the world's third largest automotive market, India's large consumer base provides a stable and growing demand for the vehicle and their components. This market is supported by established manufacturing clusters in major cities like Pune, Chennai, and NCR, which facilitate robust demand and support. Furthermore, India's strategic location and well-developed infrastructure, including road, rail, and air networks, enhance its positioning in global markets.

- **Cost-competitive manufacturing base:** India offers a structurally cost-competitive manufacturing environment driven by relatively lower labour costs, a large domestic supplier base, and improving productivity levels. This cost advantage enables Indian auto component manufacturers to remain competitive across both OEM supply and export markets, particularly in metal-intensive, machining-heavy, and high-volume component categories.
- **Large and diversified domestic automotive market:** India hosts one of the world's largest automotive markets across passenger vehicles, two-wheelers, three-wheelers, commercial vehicles, tractors, and off-highway equipment. This diversified demand base provides scale, volume stability, and product breadth for component suppliers, allowing them to amortize investments in tooling, automation, and R&D while catering to multiple vehicle segments simultaneously.
- **Established manufacturing clusters and supplier ecosystems:** Well-developed automotive clusters across NCR, Maharashtra, Tamil Nadu, Karnataka, Gujarat, and Telangana provide proximity to OEM plants, dense vendor networks, logistics infrastructure, and testing facilities. These clusters support faster turnaround times, lower logistics costs, and closer integration between OEMs and Tier-1/Tier-2 suppliers, strengthening supply chain efficiency.
- **Strong engineering and technical talent pool:** India benefits from a large pool of engineers, technicians, and skilled shop-floor manpower, supporting capabilities in design engineering, simulation, precision manufacturing, tooling, and process optimization. This talent base enables suppliers to move up the value chain from build-to-print manufacturing toward design-led, system-level, and co-development models with OEMs.
- **Growing integration into global supply chains:** Indian auto component manufacturers have steadily strengthened their presence in global automotive supply chains, supported by improving quality standards, compliance with international regulations, and export competitiveness. Diversification of global sourcing strategies by OEMs has further enhanced India's attractiveness as a reliable and scalable sourcing destination.
- **Policy support and investment incentives:** Supportive government policies—including production-linked incentives, EV-focused schemes, and 100% FDI under the automatic route—have encouraged capacity expansion, technology adoption, and localization of high-value components. Regulatory initiatives around safety and emissions have also increased component value per vehicle, benefiting suppliers with stronger technical capabilities.
- **Strength in precision engineering and metal-based components:** India has developed strong capabilities in forgings, castings, machining, and heat treatment, enabling large-scale production of engine components, transmission systems, braking assemblies, and chassis parts. These strengths underpin India's export competitiveness in high-precision, metal-intensive component categories.

- **Expanding capabilities in EV and electronics segments:** While ICE components remain dominant, India is rapidly building capabilities in EV-related components such as electric drivetrains, power electronics, battery management systems, wiring harnesses, and thermal management solutions. This transition is broadening the industry's product mix and creating new growth avenues.
- **Resilient aftermarket demand:** A large and ageing vehicle parc, high vehicle utilization, and price-sensitive consumers support a strong domestic aftermarket. This provides recurring demand for replacement components and reduces dependence on cyclical OEM production alone.

Scalability and flexibility of suppliers: Indian auto component manufacturers are known for their ability to scale production quickly and adapt product designs to varied OEM specifications and regulatory requirements. This flexibility enhances India's positioning as a preferred sourcing hub across multiple geographies and vehicle platforms.

Regulatory Landscape

The Indian auto component sector was deregulated during the economic reforms of the 1990s, which opened the sector to large, organized players. De-regulation of the sector was completed when the government allowed up to 100% FDI into the sector in 2002.

The automobile industry has seen the introduction of several policy measures, starting with the Auto Policy in 2002, the Automobile Mission Plan 2006-2016, National Automotive Testing and R&D Infrastructure (NATRiP), National Electric Mobility Mission Plan 2020 (NEMMP 2020), and Faster Adoption & Manufacturing of Electric Hybrid Vehicles (FAME) Scheme (I & II). Together, these policies have helped improve the manufacturing practices, quality standards, and efficiency standards in the Indian automobile industry. Being an associated sector, the merits of these policies have spilt over to the auto component industry, which has seen significant investments and activities in technology modernization and quality control.

Key Regulatory and Institutional Bodies governing the Auto Component Sector in India

➤ Ministry of Heavy Industries (MHI)

The Ministry of Heavy Industries is the **primary nodal authority** for the automobile and auto component sector in India. It is responsible for framing long-term industrial policy, promoting domestic manufacturing, and administering incentive schemes aimed at improving competitiveness and technology depth. The ministry oversees flagship initiatives such as the **Production Linked Incentive (PLI) Scheme for Automobile and Auto Components**, which incentivises domestic production of advanced automotive technologies, including EV components, safety systems, and high-value electronics. Through these interventions, MHI directly influences investment flows, capacity expansion, localization of critical components, and the transition of the sector toward higher value-added manufacturing.

➤ Ministry of Road Transport and Highways (MoRTH)

The Ministry of Road Transport and Highways is responsible for **vehicle regulations, safety norms, and homologation standards**, which have a direct bearing on auto component specifications and demand. MoRTH notifies rules related to braking systems, steering mechanisms, lighting, crashworthiness, and structural integrity. The rollout of regulatory frameworks such as the **Bharat New Car Assessment Programme (BNCAP)** is raising safety benchmarks, compelling OEMs to incorporate advanced safety technologies. This, in turn, structurally increases demand for safety-critical components such as airbags, sensors, electronic control units, braking systems, and reinforced structural parts, raising the technical and compliance threshold for component suppliers.

➤ **Ministry of Environment, Forest and Climate Change (MoEFCC)**

MoEFCC governs the **environmental and emission regulatory framework** applicable to the automotive sector. It plays a central role in notifying and enforcing **Bharat Stage (BS) emission norms**, which directly impact engine design, exhaust systems, emission-control devices, and fuel management components. In addition, the ministry oversees regulations related to waste management, hazardous substances, effluent discharge, and air and water pollution, all of which affect auto component manufacturing operations. Compliance with MoEFCC norms influences material selection, process design, and capital expenditure on pollution control and sustainability measures, particularly for metal processing, surface treatment, and chemical-intensive manufacturing units.

➤ **Department for Promotion of Industry and Internal Trade (DPIIT)**

DPIIT is responsible for shaping the **industrial policy and investment framework** governing the auto component sector. It formulates policies related to foreign direct investment, industrial development, and ease of doing business. The department permits **100% FDI under the automatic route** in auto components, enabling global OEMs and Tier-I suppliers to invest in manufacturing, R&D, and sourcing operations in India. DPIIT also supports the development of industrial corridors, manufacturing clusters, and export promotion initiatives, thereby influencing long-term capacity creation, technology transfer, and integration of Indian suppliers into global value chains.

➤ **Bureau of Indian Standards (BIS)**

The Bureau of Indian Standards is the national body responsible for **product, material, and quality standards** applicable to auto components in the domestic market. BIS prescribes specifications covering metals, polymers, rubber components, electrical systems, and safety-related parts to ensure minimum benchmarks for performance, reliability, and safety. Compliance with BIS standards is mandatory for several component categories and acts as a gatekeeper for market access. For auto component manufacturers, BIS requirements influence design parameters, testing protocols, quality systems, and certification costs, particularly for suppliers catering to the domestic OEM and aftermarket segments.

Impact of Bharat Stage (BS) VI Emission Norms on the Auto Component Industry²²

The transition to Bharat Stage (BS) VI emission standards represents one of the most transformative regulatory shifts for India's automotive and auto component industries. Skipping BS-V and directly implementing BS-VI norms by April 2020 demonstrated India's strong

²² International Council on Clean Transportation

commitment to reducing its carbon footprint under the Paris Climate Agreement, aiming to cut emissions by 33–55% from 2005 levels by 2030. This leap in emission standards has had a profound impact on the auto component sector, driving both technological evolution and increased demand for advanced components.

The move from BS-IV to BS-VI mandates significantly lower emission levels, particularly in terms of nitrogen oxides (NO_x) and particulate matter (PM). To achieve these stringent targets, such as a 68% NO_x reduction in diesel vehicles and over 80% reduction in PM, automakers have been compelled to adopt advanced engine and emission control technologies. This, in turn, has directly boosted demand for sophisticated auto components such as:

- Diesel Particulate Filters (DPFs)
- Selective Catalytic Reduction (SCR) systems
- Lean NO_x Traps (LNTs)
- Advanced fuel injection systems
- Turbochargers and EGR (Exhaust Gas Recirculation) systems
- On-Board Diagnostic (OBD) sensors and ECUs (Electronic Control Units)

Furthermore, BS-VI norms require vehicles to be equipped with OBD systems to monitor emissions in real time, and Real Driving Emission (RDE) testing, which adds another layer of technical complexity. As a result, component manufacturers have had to upgrade their capabilities in precision engineering, electronics integration, and emissions-related hardware, demanding significant capital investments and R&D.

This regulatory shift has also catalyzed technology collaborations, localization of high-value components, and greater emphasis on quality and compliance, opening new business opportunities for suppliers capable of meeting BS-VI specifications. At the same time, the increased cost of compliance, resulting in higher vehicle prices across segments, has created price sensitivity in the market, pushing component makers to innovate for both performance and cost-efficiency.

The implementation of BS-VI norms has acted as both a regulatory challenge and a growth catalyst for the Indian auto component industry. It has accelerated the shift toward cleaner, more advanced vehicle systems and elevated the role of domestic component suppliers in developing and supplying critical emissions control technologies for both domestic and export markets.

Automotive Mission Plan 2016–2026 (AMP 2026)²³

This is a joint strategic vision developed by the Government of India in collaboration with the Indian automotive industry, aiming to position India as one of the top three automotive manufacturing hubs in the world. Building upon the success of the previous AMP 2006–2016, this plan seeks to significantly boost the country's contribution to the global automotive value chain. Its core objectives include increasing the sector's share in India's GDP to over 12%, creating approximately 65 million direct and indirect jobs, and making India a preferred destination for design, development, and production of vehicles and auto components. A key element of AMP 2026 is the push towards enhancing domestic R&D capabilities, encouraging innovation in electric mobility, and promoting local manufacturing of critical components such as EV batteries, powertrains, and automotive electronics.

The plan also emphasizes the importance of aligning with global safety, emission, and quality standards, including early adoption of BS-VI emission norms and the development of green, connected, and smart mobility solutions. To support these goals, the plan encourages investments in testing infrastructure through initiatives like NATRiP and focuses on public-private partnerships for technology development. Another major focus area is skill development, with targeted programs to upskill the workforce through bodies like the Automotive Skills Development Council (ASDC), ensuring preparedness for emerging technologies and evolving OEM expectations.

AMP 2026 also outlines a roadmap to improve global competitiveness by increasing exports, improving cost efficiency, and strengthening the ecosystem of Tier-1, Tier-2, and Tier-3 suppliers. Moreover, the plan supports India's commitments to the Paris Climate Agreement by promoting sustainable mobility and reducing the carbon footprint of the sector. While the AMP has enabled significant achievements, such as the rapid shift to BS-VI norms and a rise in component exports, challenges like the slow EV transition, supply chain vulnerabilities, and limited technological capacity in smaller suppliers remain. Nonetheless, AMP 2026 provides a comprehensive foundation for the growth and transformation of India's automotive and auto component industry over the next decade.

National Automotive Policy 2018

The National Automotive Policy 2018 was formulated to guide the comprehensive development of India's automobile sector with a strong focus on growth, sustainability, and innovation. A key emphasis of the policy was on promoting green mobility by accelerating the adoption of electric vehicles and clean technologies to meet environmental commitments and capitalize on emerging

²³ Automotive Mission Plan: 2016-26

global trends. The policy sought to support both existing and new vehicle manufacturers in expanding domestic and export capacities, while also creating a level playing field to encourage competitiveness. For the auto component industry, the draft proposed a strategic push towards higher value-added production, particularly in electronics and electrical systems, to help suppliers move up the value chain and reduce import dependency.

In terms of ecosystem development, the policy highlighted the importance of improving the supply chain, facilitating ease of doing business, and fostering skill development across the industry. On the regulatory front, it outlined a long-term roadmap for emissions and safety standards beyond BS-VI, to align Indian regulations with global norms, including CAFE targets and harmonization with WP-29 standards. The policy also proposed retaining tax exemptions on R&D expenditures, subject to strong audit controls, to boost indigenous innovation and commercialization of new technologies. Furthermore, it supported the implementation of a voluntary vehicle modernization program (V-VMP), encouraging the phasing out of old, polluting vehicles through a structured scrappage policy. Overall, the draft policy envisioned a robust, globally competitive automotive sector that is aligned with future mobility needs and environmental sustainability.

Vehicle Scrappage Policy

The Vehicle Scrappage Policy, officially announced in 2021 and operationalized in subsequent years, is a government initiative aimed at phasing out old, polluting, and unsafe vehicles from Indian roads. Under this policy, private vehicles older than 20 years and commercial vehicles older than 15 years that fail fitness tests will be eligible for voluntary scrapping. The policy is designed to reduce environmental pollution, improve road safety, and stimulate demand in the automotive and auto component sectors.

For the auto component industry, this policy serves as a key demand driver. As older vehicles are scrapped, there is a direct boost in the demand for new vehicles, which in turn generates demand for new and advanced auto components. This includes engines, exhaust systems, braking systems, infotainment units, suspension systems, and electronics.

Furthermore, the shift toward more fuel-efficient and environmentally compliant vehicles, especially under BS-VI and future emission norms, encourages technological innovation in materials and design. Component manufacturers are incentivized to develop lightweight, durable materials and high-performance parts to meet modern efficiency, safety, and emission standards. This also creates opportunities for recycling and remanufacturing industries, where components like steel, aluminium, plastic, and rare earth elements from scrapped vehicles can be reused in production.

The policy also aims to create a well-organized vehicle scrappage ecosystem comprising fitness testing centres and authorized scrapping facilities, where auto component suppliers can collaborate to streamline recycling processes and retrieve usable parts or materials.

Union Budget 2026-27

The Union Budget **2026-27**, presented by Finance Minister Nirmala Sitharaman on **February 1, 2026**, marks a pivotal moment for the Indian auto component industry. With an emphasis on electric mobility, domestic manufacturing, MSME support, ease of doing business, and increased investments in strategic manufacturing sectors, the budget lays a strong foundation for long-term industry growth and global competitiveness.

A major boost for the auto component sector comes from the government's continued policy thrust on electric vehicles (EVs) and battery manufacturing. The extension of Basic Customs Duty (BCD) exemption on capital goods used for manufacturing lithium-ion battery cells along with BCD exemption on capital goods required for processing critical minerals is expected to reduce capital costs, strengthen domestic battery manufacturing capabilities, and improve the availability of key inputs for EV component manufacturers. This move is expected to improve the cost-efficiency and scalability of domestic EV production, stimulating demand across the component supply chain and encouraging localization of high-value parts.

In terms of direct financial support, the budget has shifted its focus towards strengthening India's manufacturing ecosystem through new strategic initiatives. Manufacturing incentives have been expanded through sector-focused programmes including the INR 40,000 crore Electronics Components Scheme and Semiconductor Mission 2.0. These targeted investments are expected to strengthen the domestic manufacturing ecosystem, improve technology adoption, and create new opportunities for auto component manufacturers supplying electronics, semiconductor-based components, and advanced mobility solutions.²⁴

Another important development is the government's continued emphasis on MSME growth through the newly announced INR 10,000 crore SME Growth Fund, along with measures to improve access to finance, strengthen invoice discounting mechanisms, and promote business scalability. Given the fragmented nature of the supplier base in India, these measures are expected to support modernization, technology adoption, and competitiveness across the auto component value chain.²⁵

²⁴ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2226828®=3&lang=1>

²⁵ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2226828®=3&lang=1>

From a broader macroeconomic perspective, the budget continues to support domestic consumption through tax reforms and simplification measures under the Income Tax Act, 2025, which comes into effect from 1 April 2026. The focus on tax certainty, simplified compliance, and ease of doing business is expected to strengthen consumer confidence and business investment, indirectly benefiting the auto component industry through sustained vehicle demand across passenger vehicles, two-wheelers, and commercial vehicles.

The budget also continues its focus on agriculture and rural development through PM Dhan-Dhaanya Krishi Yojana and other rural infrastructure initiatives. These measures are expected to support rural incomes and mechanization, thereby driving demand for tractors and rural mobility components and creating new growth opportunities for component manufacturers catering to the agrarian economy.

Lastly, the budget introduces several Ease of Doing Business measures, including the rollout of a Customs Integrated System, greater digitisation of customs processes, reduced compliance burden, and trusted importer mechanisms. These initiatives are expected to reduce logistics costs, improve supply chain efficiency, and facilitate smoother operations for auto component manufacturers participating in domestic and global value chains.

The Union Budget 2026-27 offers a comprehensive package of fiscal incentives, regulatory support, and structural reforms that collectively strengthen the Indian auto component industry. By promoting localization, supporting MSMEs, enabling advanced manufacturing, improving ease of doing business, and strengthening the EV and battery ecosystem, the budget sets the stage for a more resilient, technologically advanced, and globally competitive component manufacturing ecosystem.

Make in India and Atmanirbhar Bharat Abhiyan

The Make in India initiative, launched in 2014, continues to play a pivotal role in strengthening India's manufacturing capabilities, particularly in the automobile and auto component sectors. The Government continues to encourage global and domestic manufacturers to invest in India through a favourable regulatory environment, infrastructure development, ease of doing business reforms, and policies that promote domestic manufacturing. As India advances towards becoming a global manufacturing hub, the auto component industry is expected to benefit from enhanced production capabilities, improved technological competitiveness, and stronger integration into global supply chains. These efforts are expected to reduce import dependency and reinforce India's position as a competitive exporter of high-quality automotive components.

Building on this foundation, the Atmanirbhar Bharat Abhiyan (Self-Reliant India Campaign) continues to accelerate the localization of critical auto components and promote innovation-led growth across the sector. The Government has further strengthened this vision through Union Budget 2026–27, which extends customs duty exemptions on capital goods required for lithium-ion battery manufacturing and critical mineral processing, thereby supporting domestic production of EV batteries and advanced automotive components. In addition, initiatives such as the Electronics Components Manufacturing Scheme, Semiconductor Mission 2.0, and continued support for MSMEs and startups are expected to strengthen the domestic manufacturing ecosystem, encourage technology adoption, and improve supply-chain resilience. As India moves towards greater self-reliance in automotive manufacturing, the Atmanirbhar Bharat initiative is expected to remain a key driver in developing a resilient, sustainable, and globally competitive auto component ecosystem.

²⁶Production Linked Incentive (PLI) Scheme for Auto and Advanced Chemistry Cell (ACC) Batteries

This is a significant Government initiative designed to accelerate the growth of India's domestic manufacturing capabilities in cutting-edge automotive technologies. The programme comprises the Production Linked Incentive (PLI) Scheme for Automobile and Auto Components, with an outlay of INR 25,938 crore, and the PLI Scheme for Advanced Chemistry Cell (ACC) Battery Storage, with an outlay of INR 18,100 crore. Together, these schemes aim to position India as a global hub for advanced electric vehicle (EV) technologies and next-generation energy storage solutions.²⁷

The schemes provide performance-linked financial incentives to Original Equipment Manufacturers (OEMs) and auto component manufacturers investing in advanced technologies related to electric mobility, hydrogen fuel cell vehicles, advanced automotive components, and battery systems. By supporting investments in research, development, and large-scale manufacturing, the schemes seek to improve economies of scale, strengthen technological capabilities, and enhance India's competitiveness in global automotive markets.

Beyond expanding manufacturing capacity, the PLI schemes continue to promote higher domestic value addition by encouraging localization of critical components, reducing import dependence, and strengthening India's integration into global automotive supply chains. The initiatives also improve export competitiveness by enabling manufacturers to supply high-value automotive products to international markets.

²⁶ Updated

²⁷ <https://www.heavyindustries.gov.in/en/pli-scheme-automobile-and-auto-component-industry>

Aligned with the Government's broader objectives of promoting sustainable industrial growth, employment generation, technological innovation, and clean mobility, the PLI schemes continue to play a crucial role in building a globally competitive and future-ready automotive manufacturing ecosystem.

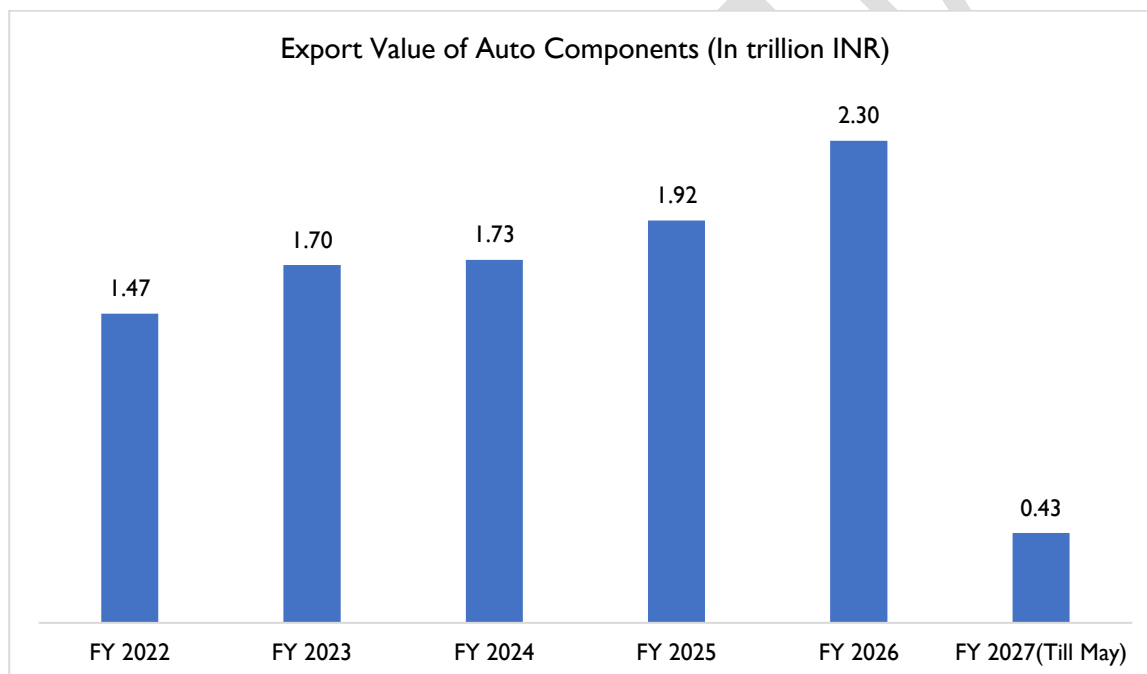
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Trade Overview

India's auto component trade has expanded significantly in recent years, reflecting deeper integration with global automotive supply chains. While exports have grown steadily, led by high-value components destined for developed markets like the U.S. and Europe, imports have also surged, driven by rising demand for advanced, technology-intensive parts. This dual trend highlights both India's growing capabilities as a global supplier and its continued reliance on foreign partners for critical automotive technologies.

Export Trends

India's auto component industry has exhibited a robust and resilient export performance over the past five fiscal years, reflecting the sector's deepening integration with global value chains and its rising stature as a trusted sourcing destination for international OEMs and Tier I suppliers.



Source: ACMA

In **FY 2022**, India's auto component exports stood at **INR 1.47 trillion**, reflecting a strong recovery in global automotive production following the pandemic. This expansion was driven by renewed demand from major markets such as North America and Europe, alongside a strategic shift by global OEMs toward supply-chain diversification. India benefited from this realignment due to its cost competitiveness, improving quality standards, and scalable manufacturing base, enabling domestic suppliers to capture incremental sourcing opportunities.

The positive momentum continued in **FY 2023**, with exports increasing further to **INR 1.70 trillion**, translating into sustained year-on-year growth. This phase reflected India's strengthening capabilities in manufacturing higher-value and more technologically complex components, including

engine parts, drive transmission systems, braking assemblies, body components, and auto electronics. Enhanced engineering depth, compliance with global quality and regulatory standards, and rising investment in product development supported deeper penetration into global OEM and Tier-I supply chains.

In **FY 2024**, auto component exports reached **INR 1.73 trillion**, indicating continued expansion, albeit at a moderated pace. Growth during the year was supported by steady global demand and a broadening export base, even as macroeconomic uncertainty and inventory normalization in certain overseas markets tempered momentum. The upward trend extended into **FY 2025**, with exports rising further to **INR 1.92 trillion**, reflecting sustained demand for Indian components, supported by capacity additions, localization of high-value products, and ongoing investments under policy initiatives such as the **PLI Scheme for Automobiles and Auto Components**.

In **FY 2026**, auto component exports increased significantly to **INR 2.30 trillion**, reflecting continued traction in overseas markets, supported by stable sourcing demand from global OEMs and Tier-I suppliers, particularly for metal-intensive, precision-engineered components. The strong performance was driven by sustained export demand, increasing localization of advanced components, and India's growing integration into global automotive supply chains, even as geopolitical uncertainties and cost pressures persisted across international markets.

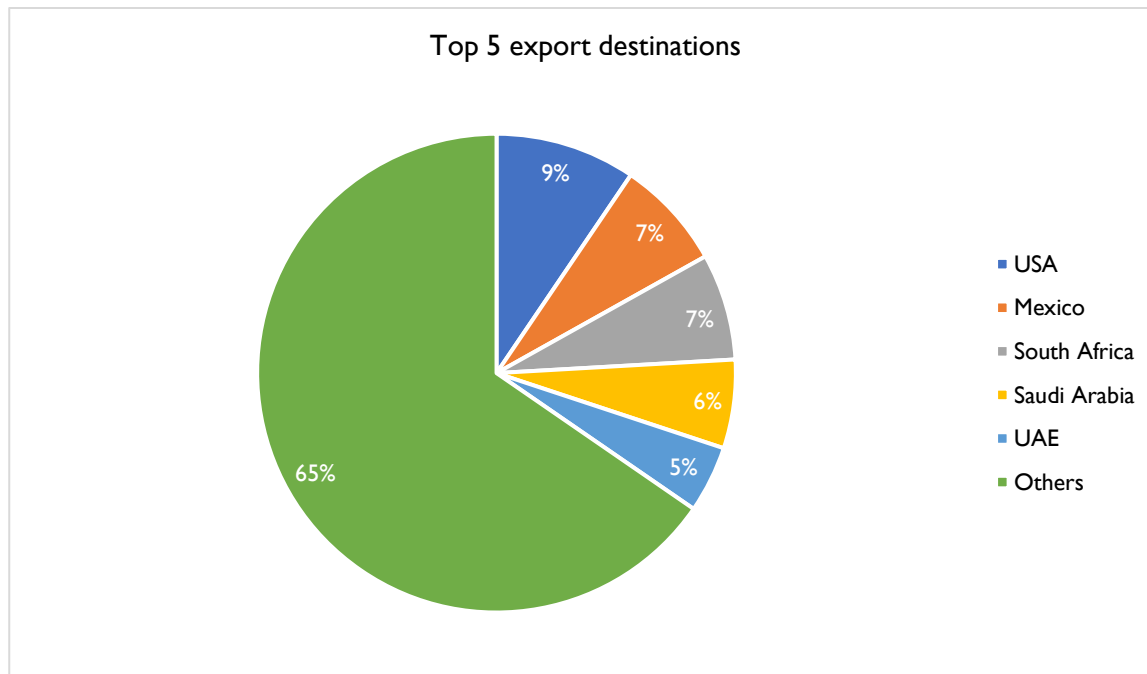
In **FY 2027 (Till May)**, auto component exports stood at **INR 0.43 trillion**, indicating continued export activity during the initial months of the fiscal year.

India's auto component export basket continues to be weighted toward **high-value, precision-engineered segments**, underscoring the sector's growing manufacturing sophistication. **Engine components and drive transmission & steering systems together account for approximately 53% of total export value**, driven by demand for metal-based components manufactured through advanced forging, casting, CNC machining, and heat treatment processes. These segments highlight India's strength in complex mechanical engineering and metallurgical capabilities.

The remaining **47% of exports** comprises a diversified mix of products, including cooling systems, rubber and polymer components, electrical and electronic parts, non-electronic interiors and body trims, suspension and braking systems, and body/chassis/Body-in-White (BIW) components. A significant portion of these products—particularly interior assemblies, housings, ducts, brackets, and trims—are produced using plastic moulding technologies, with **injection moulding** being the dominant process. This diversified export composition reflects India's versatility across both metallic and polymer-based manufacturing platforms and its ability to cater to a wide spectrum of global sourcing requirements.

Between **FY 2022 and FY 2026**, India's auto component exports expanded from **INR 1.47 trillion to INR 2.30 trillion**, underscoring the sector's resilience, adaptive capacity, and rising integration into global automotive value chains.

Top 5 Export Destinations



Source: ACMA Annual Reports, Industry Report

India's auto component exports are **geographically diversified**, with a clear concentration across key international automotive and emerging markets alongside a broad long tail of destination countries. The **United States** remains the largest export destination, accounting for **9% of total auto component exports**, reflecting strong sourcing relationships with global OEMs and Tier-I suppliers. Demand from the US is largely driven by engine components, drive transmission systems, braking assemblies, precision-engineered metal parts, and an increasing range of value-added automotive components, supported by India's cost competitiveness, quality compliance, and manufacturing scale.

Mexico is the second-largest export destination with a **7% share**, reflecting its strategic role as a major automotive manufacturing hub integrated with North American supply chains. Indian exports to Mexico primarily comprise engine components, transmission systems, forgings, castings, and other precision-engineered products supplied to vehicle manufacturers and Tier-I suppliers.

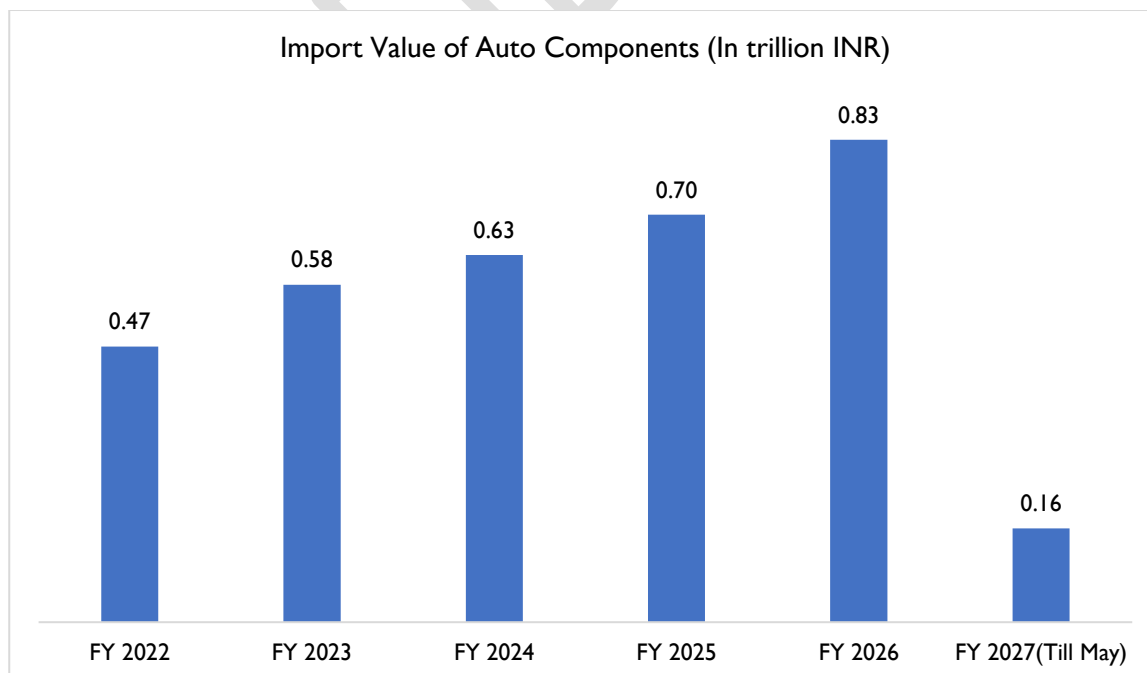
South Africa also accounts for **7% of total exports**, highlighting India's growing presence in the African automotive market. Exports to the region include a diversified range of engine parts, suspension systems, braking components, electrical parts, and aftermarket products, supported by strong trade relationships and increasing demand for cost-competitive automotive components.

Among the Middle Eastern markets, **Saudi Arabia** contributes **6%** of India's auto component exports, while the **United Arab Emirates (UAE)** accounts for **5%**. These markets primarily import replacement components, engine and transmission parts, rubber and polymer products, electrical components, and aftermarket products, benefiting from India's competitive manufacturing capabilities and established trade linkages.

The remaining **65% of exports are distributed across a wide range of countries**, highlighting the industry's extensive global footprint. This "Others" category includes export markets across Europe, Asia-Pacific, Latin America, and Africa, reducing dependence on any single geography and enhancing resilience against regional demand fluctuations. The diversified export base also reflects India's ability to cater to varied vehicle platforms, regulatory requirements, and customer specifications, reinforcing its position as a reliable global sourcing hub for auto components.

Import Trends

India's auto component imports have shown a distinct upward trend over the period from **FY 2022 to FY 2026**, both in terms of absolute value and growth momentum. Following the post-pandemic recovery, auto component imports stood at **INR 0.47 trillion in FY 2022**, reflecting the normalization of vehicle production and industrial activity. This increase was driven by the resumption of automotive manufacturing, recovery in supply chains, and higher sourcing of foreign components to support rising production across passenger vehicles, commercial vehicles, and two-wheelers.



Source: ACMA Annual Reports, Industry Report

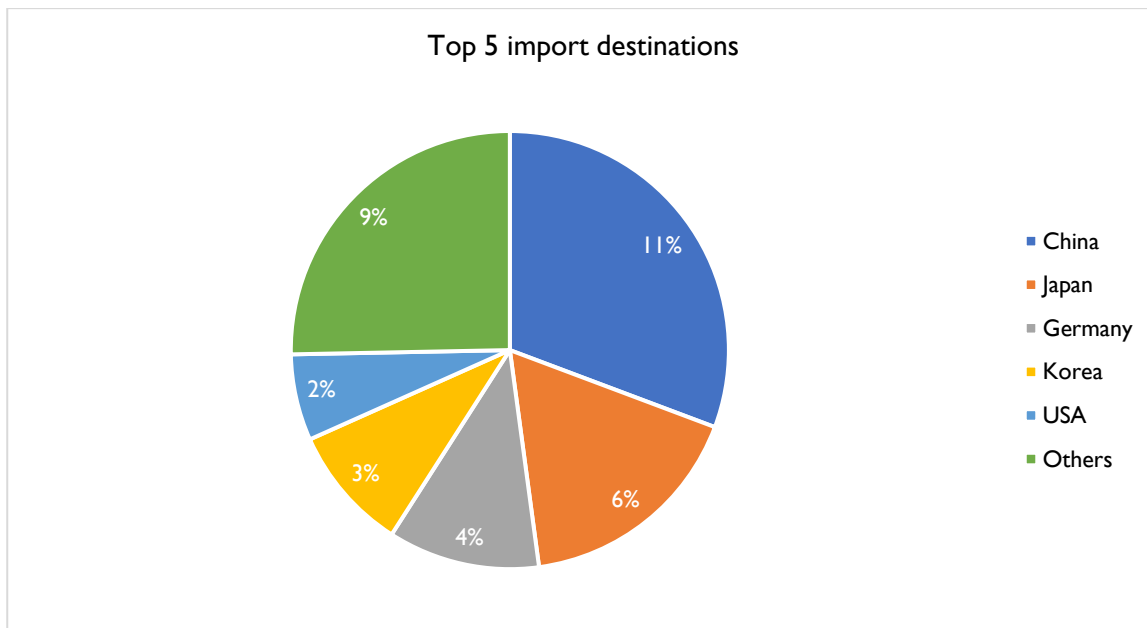
The upward momentum continued in **FY 2023**, with imports increasing further to **INR 0.58 trillion**, as vehicle production stabilized and demand for technology-intensive and electronics-heavy components, particularly those linked to electric vehicles and advanced safety systems, gained pace. In **FY 2024**, import value rose to **INR 0.63 trillion**, supported by expanding domestic vehicle output and continued reliance on overseas suppliers for high-precision automotive systems. This trend persisted into **FY 2025**, with imports reaching **INR 0.70 trillion**, underscoring sustained sourcing of advanced electronics, powertrain subsystems, sensors, and EV-related modules.

The import value increased further to **INR 0.83 trillion in FY 2026**, reflecting continued demand for technology-intensive components, semiconductor-based systems, advanced electronics, and specialized automotive subsystems that are not yet fully localized within the domestic supply chain. The growth also mirrors rising vehicle production, increasing electronic content per vehicle, and the gradual expansion of electric vehicle manufacturing. In **FY 2027 (Till May)**, auto component imports stood at **INR 0.16 trillion**, indicating continued import activity during the initial months of the fiscal year in line with stable production schedules and ongoing sourcing requirements.

A closer examination of the import composition indicates that **drive steering and transmission systems, along with engine components, together account for approximately 42% of the total import basket**. These systems require high precision, tight tolerances, advanced metallurgy, and sophisticated manufacturing processes. The remaining **58% of imports** comprise a broad range of components, including cooling systems, rubber and polymer parts, electrical and electronic modules, non-electronic interiors and body trims, suspension and braking systems, and **Body-in-White (BIW)** structures. Within this mix, components produced through **plastic injection moulding**, such as dashboards, trims, ducts, and bumper systems, feature prominently, reflecting requirements for high-volume precision tooling and consistent quality standards demanded by global OEMs.

Top 5 Import Partners

In FY 2025, India's auto component imports originated from a diverse set of global markets, with **China** emerging as the largest single source, accounting for **11%** of total imports. Chinese suppliers are dominant in mass-produced components such as electronic modules, sensors, lighting systems, and polymer-based interior parts, many of which are manufactured through high-volume plastic injection moulding processes. India's dependence on China is also fuelled by cost competitiveness and China's well-established supply chains for EV components, batteries, and other electronics critical to modern vehicles.



Source: ACMA Annual Reports, Industrial Reports

Japan stood as India's second-largest import source, contributing **6%** of the total import value. Japanese auto component manufacturers are globally recognized for high-precision engine parts, fuel injection systems, transmission gears, hybrid vehicle technologies, and advanced automotive systems. These imports primarily support Indian OEMs seeking high reliability, durability, and technological sophistication across passenger and commercial vehicle platforms.

Germany accounted for **4%** of India's auto component imports. German manufacturers continue to supply precision-engineered powertrain systems, braking technologies, advanced transmission assemblies, and premium automotive components. These imports reflect India's requirement for technically sophisticated products used in premium and performance-oriented vehicle segments while adhering to stringent European quality and regulatory standards.

South Korea contributed **3%** of total imports. Imports from South Korea are largely concentrated in electrical and electronic systems, infotainment units, HVAC modules, battery management systems, and lightweight automotive materials. Korean suppliers continue to play an important role in supporting vehicle manufacturers with a significant presence in India, particularly in the passenger vehicle and electric mobility segments.

The **United States** accounted for **2%** of India's auto component imports. U.S.-origin components primarily comprise advanced engine technologies, transmission modules, emission-control systems, specialized electronics, and proprietary automotive technologies. These imports mainly support premium vehicle segments and global OEM operations in India through technology partnerships and engineering collaborations.

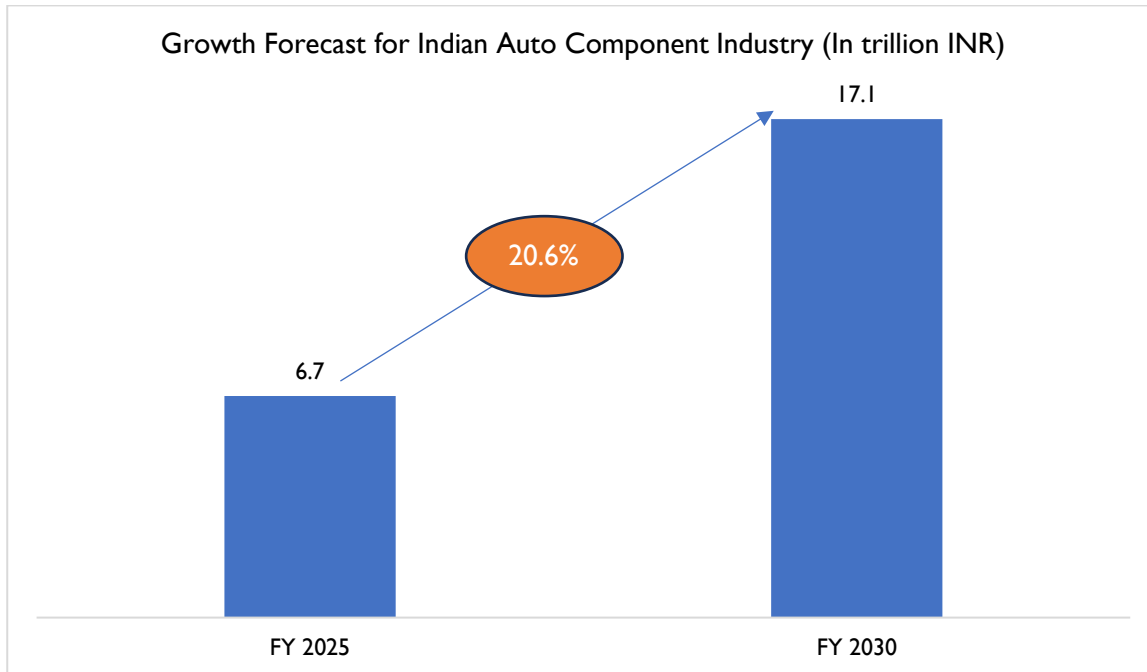
The remaining imports were sourced from a broad range of countries across Europe, ASEAN, East Asia, and other global markets, reflecting India's diversified sourcing strategy for specialized automotive components. These imports cater to various vehicle segments ranging from two-wheelers and passenger vehicles to commercial vehicles and electric mobility applications. Component categories include body trims, connectors, sensors, braking assemblies, polymer housings, vehicle electronics, and other precision-engineered products manufactured to meet global OEM specifications. A considerable portion of these parts, particularly those produced through plastic injection moulding, continues to be imported due to the need for advanced tooling capabilities, automation, and highly specialized manufacturing processes.

This broad import profile reflects the growing complexity of India's automotive sector and its increasing demand for specialized, high-quality, and scalable component supplies. While efforts are underway to strengthen domestic capabilities under initiatives such as **Make in India** and the **PLI Scheme for Automobile and Auto Components**, the current import pattern highlights the continued need for deeper localization, technology transfer, and investment in advanced manufacturing infrastructure to reduce dependence on imported high-value automotive components.

A closer look at the import composition reveals that **drive steering and transmission assemblies, along with engine components, collectively account for approximately 42% of the total import basket**. These are highly critical systems that demand high precision, tight tolerances, and advanced metallurgy, areas where India still depends significantly on foreign expertise. The remaining **58%** comprises diverse parts including cooling systems, rubber and polymer components, electrical and electronic modules, non-electronic interiors and body trims, suspension and braking systems, and **Body-in-White (BIW)** structures. Among these, products manufactured via plastic injection moulding, such as dashboards, polymer trims, and bumper systems, feature prominently. These components are often imported due to the need for advanced precision moulding technology, specialized materials, and globally consistent quality standards demanded by automotive OEMs.

Growth Forecast

Backed by strong policy support, rising domestic demand, and global supply chain integration, the Indian auto components industry is expected to witness robust double-digit growth through 2030. This sustained momentum will be driven by expanding EV adoption, export competitiveness, and a flourishing after-sales ecosystem.



Source: ACMA

The Indian auto components industry is poised for transformative growth, with its current estimated market valuation of approximately 6.73 trillion INR projected to nearly triple to around 17.1 trillion INR by 2030. This surge will be driven by multiple powerful factors, including rising domestic income levels that are expected to significantly boost vehicle ownership and domestic sales of auto components. Alongside this, the expanding aftersales market, fuelled by a growing vehicle parc and longer vehicle lifecycles, is creating sustained demand for replacement parts and maintenance services, providing a stable and increasing revenue base for manufacturers. Meanwhile, exports are set to play a critical role in this growth story, with the government targeting a fivefold increase to USD 100 billion in auto component exports by 2030. This ambitious export goal reflects India's determination to establish itself as a leading global hub in automotive manufacturing.

Government-led initiatives such as the Production-Linked Incentive (PLI) schemes are accelerating this growth by incentivizing investments in domestic manufacturing, promoting technology adoption, and enhancing export competitiveness. Additionally, India's rapid shift towards electric vehicles (EVs) and alternative powertrains is opening new avenues for innovation and increasing demand for advanced, high-technology components both domestically and internationally.

Significant investments in infrastructure, such as the development of specialized industrial parks focused on auto component production, are strengthening the sector's ecosystem. These developments support more efficient manufacturing and deeper integration with global supply chains, enhancing access to international markets. Furthermore, heightened emphasis on research and development is empowering OEMs and component manufacturers to lead in innovation and embed sustainability across their manufacturing processes.

Together, these factors create a robust foundation for sustained growth, positioning the Indian auto components industry to emerge by 2030 as a vibrant global manufacturing hub, supported by strong domestic sales, a thriving aftersales market, and a rapidly expanding export footprint.

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Threats & Challenges

High Dependence on Raw Material Imports

- One of the most pressing challenges is the industry's high dependence on raw material imports, particularly for specialized alloys, electronics, and semiconductor components. As India relies heavily on imports for these critical materials, any disruptions in the global supply chain, due to geopolitical tensions, pandemics, or natural disasters, can cause significant delays, price hikes, and production stoppages. This vulnerability to global supply chain fluctuations makes it difficult for manufacturers to maintain steady operations and profitability.

Increased Competition from Global Suppliers

- The industry also faces increased competition from global suppliers, particularly in high-value, technology-intensive components such as motors, battery management systems, and advanced driver-assistance systems (ADAS). While Indian auto component manufacturers have made significant strides, they are still developing capabilities to meet the quality standards and innovation required in these high-growth segments. This competition from global players, many of whom have deeper pockets and more advanced technology, creates pressure on Indian manufacturers to up their game in terms of product development, quality control, and customer relationships.

Technological Obsolescence

- Another significant threat is technological obsolescence, particularly with the global shift from internal combustion engine (ICE) vehicles to electric vehicles (EVs). As automakers increasingly focus on EVs, there is a growing demand for components like batteries, electric motors, and power electronics, which require new skill sets, R&D investments, and a shift in manufacturing capabilities. Traditional auto component suppliers, many of whom are well-established in the ICE vehicle space, need to restructure their product portfolios and invest heavily in new technologies to remain relevant in the evolving market. The risk of falling behind in this technological transition is a major challenge for the industry.

Regulatory Uncertainty

- Regulatory uncertainty poses a major challenge for the auto component industry. Evolving safety and emission norms, along with inconsistent policy support for local manufacturing, especially in the context of EV component localization, create a volatile environment for manufacturers. The lack of clear and consistent policies regarding subsidies, incentives, and infrastructure development for EVs and their components makes it challenging for companies to plan long-term investments. Additionally, constantly changing regulations can create compliance costs and operational hurdles for manufacturers, particularly those in the Tier-2 and Tier-3 supplier categories.

Competitive Landscape

India's auto component industry, while offering vast growth opportunities, poses significant challenges for new entrants due to its complex, competitive, and mature ecosystem. The industry is highly fragmented, with numerous organized and unorganized players vying for market share across the OEM and aftermarket segments. Entry into this space requires high capital investment to meet the evolving technological needs driven by the rise of electric vehicles, connected mobility, and automation. New players must establish advanced manufacturing capabilities, invest in R&D, and comply with strict regulatory standards such as BS-VI emission norms and safety mandates. In addition, long lead times, complex vendor qualification processes, and deep-rooted relationships between OEMs and established suppliers make it difficult for new entrants to secure contracts. These are a few companies that are into auto components manufacturing in India: Bharat Forge, Matherson Sumi Systems, Bosch, Sundaram Fasteners, and Exide Industries. The sector is also increasingly shaped by global competition and consolidation, with multinational component makers entering India through joint ventures and acquisitions, further raising the bar on quality, cost efficiency, and innovation.

Cost competitiveness remains a major pressure point, especially in a price-sensitive market like India, where established players benefit from economies of scale, robust supply chains, and established distribution networks. New entrants face volatility in raw material costs, logistical challenges, and the need to build brand trust, especially in the replacement market, where reputation and reach are critical. Furthermore, stringent compliance requirements covering quality certifications, environmental mandates, and localization norms add to operational complexity. Without differentiated offerings or niche specialization, it becomes difficult for new firms to carve out a market share in a landscape dominated by players with strong financial backing, advanced technology, and established relationships across the value chain. Thus, while India's auto component sector continues to grow in strategic importance globally, the path for new entrants is laden with structural, financial, and competitive hurdles that require careful planning, innovation, and strategic alliances to overcome.

Analysis of factors affecting the competition

Localization as a Strategic Differentiator

India's growing emphasis on localization is emerging as a key strategic lever reshaping the competitiveness of the auto component industry. The push to reduce import dependency, particularly for high-value parts like EV motors, battery components, and precision electronics, is encouraging companies to invest in domestic production capabilities. This shift is not just about cost efficiency; it signals a broader commitment to quality, technological self-reliance, and robust supply chain resilience. Companies that localize successfully are becoming preferred partners for

global OEMs who are under pressure to derisk their global supply chains. As a result, localization is now creating strong entry barriers, where smaller or less capitalized players struggle to match the scale, compliance, and sophistication of established firms. In essence, the ability to localize advanced component manufacturing is no longer optional; it is a defining competitive advantage.

Export Orientation and Global Supply Chain Integration

India's transition from a domestic-focused supplier base to an export-oriented manufacturing hub is accelerating rapidly. Companies that are aligning their production, quality systems, and delivery standards with global norms are successfully positioning themselves in international supply chains. Export-focused firms are increasingly investing in certifications such as IATF 16949, strengthening intellectual property portfolios, and forming strategic alliances with Tier-I global suppliers. These investments are paying off, allowing Indian players to cater to global demand for technologically advanced, cost-competitive components. Additionally, the push toward clean mobility worldwide is opening new export markets for EV-related parts, power electronics, and lightweight materials. This export orientation offers diversification, buffers domestic market risks, and enhances long-term growth visibility, giving globally integrated firms a significant edge over those with purely local operations.

Technological Transition Driven by EV Shift

The automotive industry's pivot toward electrification is arguably the most disruptive trend reshaping the auto component sector's competitive contours. As the market shifts from internal combustion engines (ICE) to electric vehicles (EVs), the demand structure for components is undergoing a dramatic transformation. Traditional mechanical components are losing prominence, while demand is surging for EV-specific parts such as electric powertrains, battery management systems, charging interfaces, and thermal control modules. Forward-looking component manufacturers are investing heavily in R&D, prototyping, and engineering talent to capture this emerging market. These early adopters are forging alliances with EV startups and established OEMs to co-develop solutions, securing long-term contracts and gaining first-mover advantages. Meanwhile, legacy component firms that are slow to adapt risk obsolescence, as their core products become redundant in the evolving mobility landscape. Technological readiness and adaptability are thus becoming primary competitive differentiators.

Rising Barriers to Entry

The competitive intensity in India's auto components space is being compounded by rising entry thresholds. Beyond capital investment, new entrants must now contend with heightened expectations from OEMs around product complexity, compliance, delivery schedules, and digital capabilities. With the industry moving toward smart manufacturing and next-gen mobility, suppliers are increasingly expected to offer integrated engineering solutions rather than just

mechanical parts. Achieving this requires robust R&D setups, precision manufacturing, regulatory adherence, and seamless quality assurance systems. Additionally, OEMs are focusing on fewer, highly capable suppliers who can deliver across markets, platforms, and geographies. As a result, smaller or new firms that lack the scale, experience, or technological depth are finding it increasingly difficult to gain a foothold, especially in the high-growth EV and electronics sub-segments.

Infrastructural Bottlenecks Hindering Competitiveness

Despite substantial investments in national infrastructure through programs like Bharat Mala and Gati Shakti, logistical inefficiencies continue to constrain the competitiveness of India's auto component industry. Inconsistent road quality, poor last-mile connectivity, congested ports, and underdeveloped warehousing networks frequently cause delays and cost overruns. These inefficiencies are particularly detrimental in the automotive industry, where just-in-time delivery models dominate, and even minor delays can disrupt entire production lines. Compared to peer countries like China, Germany, or South Korea, where logistics infrastructure is integrated, digitalized, and highly reliable, India still lags. Consequently, Indian suppliers may incur financial penalties, miss out on high-value contracts, or struggle to meet export commitments, weakening their reputation in the global supply chain. Addressing these infrastructure gaps is crucial for India to move up the value chain and gain a larger share of high-tech component manufacturing.

Fragmentation and Industry Consolidation

India's auto component industry has traditionally been fragmented, with thousands of small and mid-sized players serving various segments. However, the rising demands of technology, compliance, and capital investment are pushing the industry toward consolidation. Larger firms with vertical integration, diversified portfolios, and global linkages are expanding aggressively, either organically or through mergers and acquisitions. These players are increasingly favoured by OEMs due to their scale, reliability, and innovation capacity. On the other hand, mid-sized firms are exploring joint ventures, contract manufacturing models, or niche specializations to remain competitive. Smaller firms with limited resources are struggling to upgrade or attract investment, leading to market exits or consolidation. Over time, the competitive landscape is expected to be dominated by fewer, but more capable players with global ambition and execution strength.

Cost Competitiveness Under Pressure

India's historical advantage in low-cost manufacturing is being tested by a combination of rising raw material prices, escalating labour costs, and inflationary pressures in logistics and energy. While cost-efficiency remains important, global OEMs are increasingly prioritizing suppliers who can offer value-added capabilities such as product innovation, design flexibility, embedded electronics, and digital traceability. This shift is compelling Indian firms to evolve beyond cost

competition and invest in operational excellence, lean manufacturing, and smart automation. Companies that succeed in combining cost efficiency with quality, precision, and innovation are likely to command a premium and build stronger, long-term customer relationships. In contrast, those relying solely on price-based differentiation may find themselves squeezed out of strategic supply chains as global expectations continue to rise.

Peer Profile

Company	Overview
PPAP Automotive Limited	PPAP Automotive Limited (PPAP) was established in 1978 for manufacturing custom-made extrusion products. Today, the company along with its subsidiaries and joint venture companies, deliver value added products to various customers in the Automotive and Ancillary Industries. The company's core competence is in developing Plastic and rubber-based extrusion systems as well as Plastic injection moulding systems for various industries. The company also focuses on developing high-precision plastic injection tooling. Moreover, with the advent of electrification of the Automotive Industry, PPAP has established itself as a manufacturer of Li-Ion based Battery pack solution provider for the 2-wheeler and 3-wheeler industry. Its product range includes Automotive Products (automotive seating systems, interior, and exterior injection moulded products), Industrial Products (Rubber Extrusion, Plastic extrusion, Injection moulding), Plastic Injection Tooling and Battery pack products (Mobility segment and Storage segment). The Company's customer base include prestigious manufacturers like Maruti Suzuki, Honda Cars, Suzuki Motors, Toyota Renault, Nissan India, Tata Motors, Skoda Auto – Volkswagen, Mahindra and Mahindra, MG Motors, Hyundai, KIA, Suzuki Motorcycles, along with many Tier-I makers of these customers
Machino Plastics Limited	Machino Plastics Ltd. Is a major domestic player in the auto components market, incorporated in the year 1986. The company achieved a turnover of USD 42 million in the last financial year and has been listed on the Bombay Stock Exchange, which reflects its dominance in the market. The vast infrastructure strength is reflected by their vast manufacturing plants in Gurgaon, Manesar and Pithampur (M.P.),

equipped with modern high-precision conventional injection moulding machines of 100 Ton to 3150 Ton range. MPL enjoys its competitive advantage by diversifying into design and development with like services in CAD/CAM/CAE, which are related to New Product Development, Design Engineering and Manufacturing. They exercise this diversified cutting-edge technology in 3D moulding of automotive components, consumer goods and material handling systems, Solid and Surface Modelling, Product Designing, Generation of 2D drawings to 3D models, Reverse Engineering and Prototyping through software models like Autodesk Moldflow, Power Shape 2019, Power Mill 2019, Unigraphics NX-II and supported Hardware like Dell-Precision 5820 (Work Stations) and HP Designjet T1500. The company deals in manufacture of diverse Auto components to cater to automotive industry requirements that include Instrument Panel, Panel Floor Console Rear, Box Floor Console Front etc under Interior parts, and Front Bumper, Grill Radiator, Garnish Cowl Top Center etc under Exterior components, Apart from these they also manufacture Under hood parts, Air Intake Manifold, Absorber Front Bumper, Engine Cooling Duct Housing, and Corner Vane, etc. MPL's regulatory assurance is backed with precision quality certifications like the IATF 16949: 2016, ISO 9001: 2015, ISO 14001:2015, OHSAS 18001: 2007 and ISO 9001:2015 (Tool Division). The company has an extensive customer base that includes Maruti Suzuki India, Suzuki Motorcycle India and Volvo Eicher.

Financial Analysis

Particular	Unit	PPAP Automotive Limited			Machino Plastics Limited		
		As at end for Fiscal			As at end for Fiscal		
		Fiscal 2026	Fiscal 2025	Fiscal 2024	Fiscal 2026	Fiscal 2025	Fiscal 2024
Revenue from Operations	₹ in Lakhs	56,705.22	55,400.55	52,291.77	49,215.62	38,874.34	33,773.93
Growth in Revenue from Operations	In %	2.35%	5.95%	2.31%	26.60%	15.10%	1.95%
Gross Profit	₹ in Lakhs	13,525.94	13,637.64	11,481.13	14,054.57	13,088.07	11,641.54
Gross Profit Margin	In %	23.85%	24.62%	21.96%	28.56%	33.67%	34.47%
EBITDA	₹ in Lakhs	5,149.41	5,717.33	3,974.35	3,620.43	3,280.78	2,605.95
EBITDA Margin	In %	9.08%	10.32%	7.60%	7.36%	8.44%	7.72%
Profit After Tax	₹ in Lakhs	4319.39	699.72	-1303.86	132.26	885.4	363.51
PAT Margin	In %	7.62%	1.26%	-2.49%	0.27%	2.28%	1.08%
RoE	In %	13.73%	2.45%	-4.51%	1.32%	15.00%	6.89%
RoCE	In %	13.59%	5.36%	1.64%	6.78%	11.85%	8.48%
Net Fixed Asset Turnover	In Times	1.71	1.74	1.65	2.04	3.49	3.48

*Note: We have considered Standalone Financial Statements for Machino Plastics and Consolidated Financial Statements for PPAP Automotive.

Company Profiling: Kheria Autocomp Limited

Kheria Autocomp Limited is an auto ancillary unit engaged in the business of plastic injection moulding, established in 2009. The company specialises in the manufacture of plastic injection moulding sub-assembly operations and supplies primarily to the automotive sector. Operating as a Tier-II supplier, the company manufactures moulded plastic parts based on specifications provided by Tier-I vendors, who subsequently supply to original equipment manufacturers (OEMs) in the passenger vehicle segment. The product portfolio includes interior cabin trims, exterior plastic components, under-hood parts, and HVAC (Heating, Ventilation, and Air Conditioning) ducts, catering to both internal combustion engine and electric vehicle platforms. The company also performs basic sub-assembly operations such as bolt assembly and insert fitting, as per customer requirements, to facilitate integration into larger assemblies at the Tier-I level.

Headquartered: Ahmedabad

Manufacturing Capability: The manufacturing facility is strategically located within the Tata Vendor Park in Sanand, Gujarat, spanning approximately 3 acres. It houses 30 injection moulding machines with capacities ranging from 120 tons to 1,700 tons, sourced primarily from Milacron India Private Limited and other reputed vendors. The plant is equipped with automation systems tailored to customer-specific needs and includes vision measuring equipment for dimensional verification. As of FY25, the installed production capacity stands at 4,200 metric tonnes per annum (MTPA). The company has progressively embraced automation, including the deployment of multiple robotic systems, to ensure consistency and efficiency in production.

The Company has also installed a **636-kW solar power system** at its facility, contributing to the use of renewable energy and lowering dependence on conventional power sources. These initiatives collectively demonstrate the Company's commitment to responsible and efficient manufacturing.

Key Strengths:

Strategically located manufacturing facilities: The company operates a manufacturing facility at the Tata Vendor Park in Sanand, Gujarat. This location offers logistical advantages due to its proximity to major automobile manufacturing hubs in the region, enabling efficient movement of goods and materials. The location within the Tata Vendor Park provides additional supply chain benefits, with most raw material suppliers located in and around Ahmedabad city and key Tier-I customers within proximity to the manufacturing facility. This proximity enables reduced lead times and transportation costs.

Technology-Enabled Manufacturing and Process Engineering Capabilities: The company employs technology-enabled manufacturing systems and process engineering to produce a varied range of plastic injection moulded components. Since installing its first industrial robot in 2020, it has expanded to over 15 robots for injection moulding operations. It has experience in complex moulding techniques, including core-pulling and unscrewing moulds, enabling production of precision components with intricate geometries. While primarily focused on automotive interior, exterior, and under-hood components, the company also serves select white goods applications such as air-conditioner and air-cooler parts.

Raw Material Sourcing and Inventory Management: The company sources raw materials from established and approved suppliers, including customer-nominated vendors, ensuring alignment with approved lists and consistency in material characteristics. Specific requirements such as colour, quality, and grade certifications are considered to meet customer expectations.

Green Energy and Sustainability Initiatives: The company is engaged in the EV ecosystem, supporting demand for sustainable mobility solutions. It has integrated sustainable practices into operations, including commissioning a 636 Kw rooftop solar power plant to partially meet energy needs and reduce reliance on grid electricity. Four groundwater recharge wells have been constructed to support water conservation and replenish local groundwater levels. Electricity expenses for FY 2025, 2024, and 2023 were ₹285.78 lakhs, ₹287.40 lakhs, and ₹196.04 lakhs, respectively, with part of the consumption now met through solar generation. These initiatives align operations with ESG practices encouraged by global OEMs and enhance the company's ability to meet evolving customer expectations in sustainable manufacturing.

Financial Analysis

Particular	Unit	Kheria Autocomp Limited		
		As at end for Fiscal		
		Fiscal 2026	Fiscal 2025	Fiscal 2024
Revenue from Operations	₹ in Lakhs	12,001.47	9,207.17	6,231.93
Growth in Revenue from Operations	In %	30.35%	47.74%	24.79%
Gross Profit	₹ in Lakhs	3,194.14	2,369.17	1,628.52
Gross Profit Margin	In %	26.61%	25.73%	26.13%
EBITDA	₹ in Lakhs	2,289.65	1,618.46	976.07
EBITDA Margin	In %	19.08%	17.58%	15.66%
Profit After Tax	₹ in Lakhs	1,142.33	824.49	330.65
PAT Margin	In %	9.52%	8.95%	5.31%
RoE	In %	33.72%	34.18%	18.02%
RoCE	In %	26.89%	25.21%	20.32%
Net Fixed Asset Turnover	In Times	2.22	2.00	1.88

Formula Used:

Metric	Formula
Revenue From Operations	Revenue from operations means the revenue from operations as appearing in the restated statement of profit & loss for the relevant year/period.
Growth in Revenue from Operations (YoY %)	Revenue from Operation of Current Year / Revenue from Operation of previous Year - 1
Gross Profit	Revenue From Operations - COGS
COGS	Cost of Material Consumed + Purchase of stock in trade + Changes in inventories of finished goods, work-in-progress and stock-in-trade + Employee benefits expense
EBITDA	Gross Profit – Other Expenses
EBITDA Margin (%)	EBITDA / Revenue from Operations
PAT Margin	PAT / Revenue from Operations
RoE	PAT / Avg. Net Worth
Avg. Net Worth	Shareholders' equity of the Current year + Shareholder's Equity of the Previous Year / 2
ROCE	EBIT / Avg. Capital Employed
Capital Employed	Shareholders' Equity + Short Term Borrowings + Long Term Borrowings
Avg. Capital Employed	Capital Employed of the Current year + Shareholder's Equity of the Previous Year / 2
Net Fixed Asset Turnover	Revenue From Operations / Total Fixed Assets
Fixed Assets	Property, plant and equipment + Capital work-in-progress